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**North
Northamptonshire
Council**

Democratic Services
The Corby Cube,
George Street,
Corby,
Northants,
NN17 1QG

Meeting: Audit and Governance Committee
Date: Monday 12th February, 2024
Time: 2.00 pm
Venue: Council Chamber, The Cube, George St, Corby NN17 1QG

Members of the Audit and Governance Committee

Councillors Andrew Weatherill (Chair), Jonathan Ekins (Vice-Chair), Valerie Anslow, Kirk Harrison, Bert Jackson Ian Jelley, Anne Lee, Richard Levell, Paul Marks, and Russell Roberts.

Mr Michael Whitworth (Independent Person)

Substitutes:

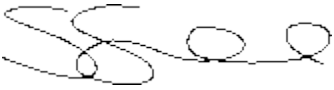
Councillors Jean Addison, Paul Bell, Melanie Coleman, John Currall, Tom Partridge-Underwood, Mark Pengelly, Roger Powell, Chris Smith-Haynes and Lee Wilkes

Agenda Supplement

The following additional report has now been published which was not available at the time the agenda was published.

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Sanjit Sull, Monitoring Officer
North Northamptonshire Council



Proper Officer
Friday 2 February 2024

This agenda has been published by Democratic Services
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Members are reminded of their duty to ensure they abide by the approved Member Code of Conduct whilst undertaking their role as a Councillor. Where a matter arises at a meeting which **relates to** a Disclosable Pecuniary Interest, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation.

Where a matter arises at a meeting which **relates to** other Registerable Interests, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but must not take part in any vote on the matter unless you have been granted a dispensation.

Where a matter arises at a meeting which **relates to** your own financial interest (and is not a Disclosable Pecuniary Interest) or **relates to** a financial interest of a relative, friend or close associate, you must disclose the interest and not vote on the matter unless granted a dispensation. You may speak on the matter only if members of the public are also allowed to speak at the meeting.

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If Members have any queries as to whether a Declaration of Interest should be made please contact the Monitoring Officer at – monitoringofficer@northnorthants.gov.uk

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If you make a representation to the meeting, unless you have specifically asked not to appear on the webcast, you are taking positive action to confirm that you consent to being filmed. You have been made aware of the broadcast and entering the Council Chamber you are consenting to be filmed by North Northamptonshire Council and to the possible use of those images and sound recordings for webcasting.

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North Northamptonshire Council Update Report

Year ending 31 March 2022

North Northamptonshire Council
January 2024

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Agenda Item 10

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Audit Progress

2021/22 Financial Statements Audit

Our audit planning has been delayed as the Council has needed to focus on the completion of the legacy council audits. The delay in completing the legacy council audits has also had an impact on the Council's ability to prepare financial statements for 2021/22. We have not therefore undertaken any financial statements work.

Planning work to date

We have been able to partially complete our planning work including:

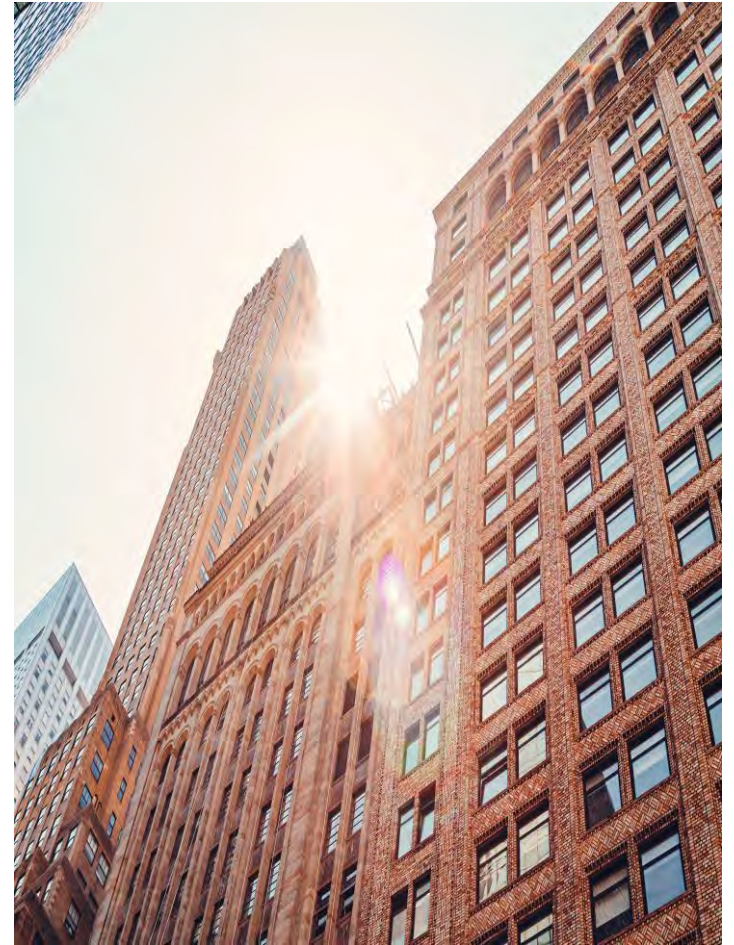
- Preliminary going concern assessment
- Review of the journal control environment
- Review of the IT environment
- Gained an understanding of some business processes for significant transactions in the financial statements.

Our work in these areas identified issues in relation to the IT and the journal control environments. Our findings in relation to the IT environment are documented on page 5.

In our review of the journal control environment we identified that within the ERP financial ledger 6 users have been granted the auto-approval rights when posting journals. We would not expect any user to have the ability to approve their own journals.

We have not commenced our planning for the 2022/23 audit (for the reasons set out above).

We do not plan to undertake any further work for 2021/22 and 2022/23. We discuss this as part of the section on the Government backstop arrangements on the next page.



Audit Progress

Backstop

As reported at the previous Audit & Governance Committee meeting to address the current backlog of Local Government audits the Government is implementing a backstop. It was previously communicated to us that the Backstop date would be 31 March 2024. The Government has revised its plans and will begin consultation (January 2024) on a 30 September backstop date.

The Backstop will require auditors to issue a disclaimed opinion on all audits up to and including 2022/23 that have not been signed off by this date.

Due to delays in the completion of the legacy council audits and preparation of the Council's 2021/22 financial statements we will not be able to complete the audit of 2021/22 & 2022/23 before 30 September and therefore we intend to issue a disclaimer opinion for both of these years. We will not therefore undertake any further work on the 2021/22 or 2022/23 audits

2023/24 Workplan

We are planning to start our planning work for the 2023/24 audit in February 2024 and to commence our audit of the draft accounts in July 2024.

If the 2022/23 opinion audit is disclaimed it is likely that we will have to undertake additional work on the opening balances for 2023/24. We are working closely with the NAO and CIPFA to determine the scope of this work and will report back on the time and extent of the work once confirmed.

Our work plan for 2023/24 will include, amongst other matters, an assessment of the Council's: control environment, going concern, journal control environment, IT environment, business processes, and group. We will also need to consider data migration, consolidation of systems, and opening balance transfer.

As part of our work we will also consider key metrics such as aged debtor and creditor analysis, bad debt provisions and credit loss allowances, control of POs and GRNI, suspense accounts and bank reconciliations, and collection rates.



Audit Progress

Disaggregation

The Council is currently working with West Northamptonshire Council to disaggregate the closing balances of Northamptonshire County Council at 31 March 2021. Although the Councils have been able to agree a significant proportion of these balances there are a small number of areas where there is disagreement on how the balances should be split. For these areas the Councils are currently seeking arbitration to determine the disaggregation.

We have held discussions with the Council over the disaggregation and in particular reviewed the work around the split of the Capital Financing Requirement (CFR). We cannot complete our work on opening balances until the disaggregation has been completed.

It is nearly three years since the Council was established. There have been delays due to the time taken to complete the audit of the County Council's 20/21 financial statements, by the predecessor auditor, and agreeing the County Council's closing balances. However, we remain concerned that the disaggregation process has not yet been completed. We will report this matter as a significant weakness in our Value for Money assessment of the Council for 2022/23 and will consider whether the use of our wider powers is appropriate if the matter is not brought to a timely conclusion.



IT Environment

We set out below details of the work we have undertaken on the Council's IT environment.

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In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The IT environment for North Northamptonshire is complex, due to the legacy systems that it inherited on vesting. As a result we have had to review the design and implementation of the ITGCs for the following systems:

Civica

Academy [Capita] - Council Tax/NNDR/Housing Benefits

Northgate

Adelante

QL [Aeron]

Unit4 ERP [Agresso]

Academy [Capita] - Cash Receipting System

Capita - Income Management System + Cash Receipting System

Active Directory




We have completed this work for 2021/22 and identified 11 significant deficiencies, 14 deficiencies and 3 improvement opportunities. More details on these findings can be found in our detailed IT Audit Findings Report that accompanies this update report. We will be undertaking follow-up work, to review the implementation of our recommendations. Our report on these matters is presented alongside this report and these matters are not therefore repeated here.

Value for Money arrangements

2021/22

We completed our work on the Value for Money arrangements for 2021/22 and reported our findings in July 2023. A summary of our findings are detailed below.

Criteria	Risk assessment	21/22 Auditor Judgment	
Financial sustainability	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but 6 improvement recommendation made
Governance	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but 7 improvement recommendation made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but 3 improvement recommendation made

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-  No significant weaknesses in arrangements identified or improvement recommendation made.
 -  No significant weaknesses in arrangements identified, but improvement recommendations made.
 -  Significant weaknesses in arrangements identified and key recommendations made.

2022/23

Our work on your Value for Money arrangements for 2022/23 is underway and we will report our findings at the next Audit & Governance Committee meeting. As highlighted earlier, we consider that the lack of progress on the disaggregation of the opening balances to be a significant weakness in the Council's arrangements.

Audit fees

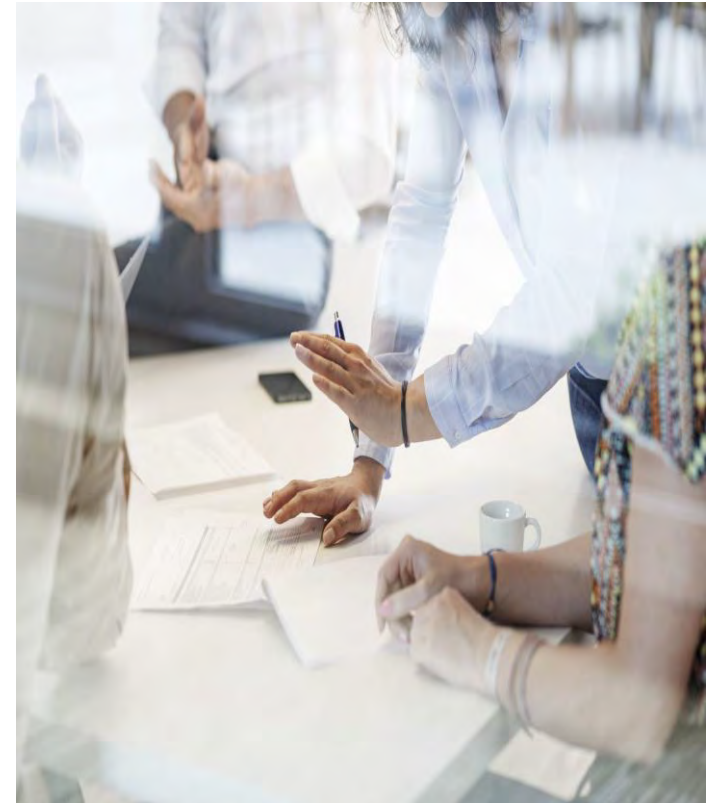
In 2021, PSAA awarded Grant Thornton a contract of audit for North Northamptonshire Council for 2 years with effect from 2021/22. Following another national procurement exercise by PSAA in 2022 this contract has been extended to 2027/28.

As previously reported we have not been able to complete our audits for 2021/22 & 2022/23 and expect the backstop to come into effect for these audits. Although we have not been able to complete these audits we have incurred costs in relation to the work we have already completed and these are detailed in the table below, with a detailed analysis on the next page. We have not undertaken any non-audit services for the Council.

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	Scale Fee	Costs incurred to date
2021/22	£300,000	£120,000
2022/23	£300,000	£40,000
2023/24	£754,109*	TBC

* The Scale Fee for 2023/24 does not include any additional work required on opening balances due to a disclaimer opinion in 2022/23.



Audit fees – detailed analysis

Breakdown of costs incurred to date	
<i>2021/22</i>	
IT audit work	£35,000
Audit planning work	£40,000
Liaison meetings and attendance at Audit & Governance Committee	£15,000
Work on disaggregation	£5,000
VfM	£25,000
Total	£120,000
<i>2022/23</i>	
Liaison meetings	£10,000
Work on disaggregation	£5,000
VfM	£25,000
Total	£40,000

All variations to the scale fee will need to be approved by PSAA

