

**North Northamptonshire Council – Decisions taken by the Audit and Governance Committee on Monday 12 February 2024**

Agenda Item No	Topic	Decision
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**Part A – Items considered in public**

<b>A1</b>	Apologies for non-attendance	Apologies for non-attendance were received from Mark C Stocks (Grant Thornton).
<b>A3</b>	Minutes of the meeting held on 27th November 2023	<p>Members commented on the withdrawal of the Terms of reference report from the previous committee and requested that the updated terms of reference be circulated to members of the committee and an update training session be offered to members following the approval of the updated terms of reference at Full Council.</p> <p>It was then</p> <p><b><u>RESOLVED</u></b> That the minutes of the meeting of the Audit and Governance Committee held on 27<sup>th</sup> November 2023 be approved as a correct record and signed by the chair</p>
<b>A4</b>	Audit Update Report	<p>Paul Harvey attended the meeting on behalf of Grant Thornton (External Auditor) and provided an audit update report which stated that Grant Thornton’s audit planning for 2021/22 financial statements had been delayed due to outstanding legacy council audits. It was stated that this had also had an impact on the Council’s ability to prepare financial statements for 2021/22.</p> <p>Planning work has been undertaken by External Audit in relation to:</p> <ul style="list-style-type: none"> <li>• Preliminary going concern assessment</li> <li>• Review of the journal control environment</li> <li>• Review of the IT environment</li> <li>• Gained an understanding of some businesses processes for significant transactions in the financial statements.</li> </ul>

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		<p>It was reported to the committee that work in these areas identified issues in relation to the IT and the Journal control environment. 11 significant deficiencies, 14 deficiencies and 3 improvement opportunities were identified in relation to the IT environment. Majority of deficiencies related to legacy IT systems and risk mitigation had been identified and implemented.</p> <p>An update was also provided in relation to the current backlog of Local Government audits where the Government is implementing a backstop. It was noted that the consultation period was due to commence imminently on a 30<sup>th</sup> September backstop date. Members heard that the backstop would require auditors to issue a disclaimed opinion on all audits up to and including 2022/23 that had not been signed off by September 2024.</p> <p>External Audit were planning to commence planning work for the 2023/24 audit in February 2024 with an eye to present an audit plan to members of the Audit &amp; Governance Committee at its next meeting in April 2024.</p> <p>Members heard that North Northamptonshire Council was working with West Northamptonshire Council to disaggregate the closing balances of Northamptonshire County Council. Although both authorities have been able to agree a significant proportion of these balances there are a small number of areas where there is a disagreement on how the balances should be split. For these areas the Council's were seeking arbitration to determine the disaggregation. External Audit stated the matter as a significant weakness in their Value for Money assessment of the Council for 2022/23 and raised concerns regarding the process.</p>

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		<p>It was heard that determination arrangements had been put in place following correspondence by both authorities to the Secretary of State. The Council was yet to receive a response regarding arrangements for next steps. Conversations remained ongoing with West Northamptonshire Council and Grant Thornton.</p> <p>Grant Thornton issues their Value for Money arrangements for 2021/22 and were undertaking work on the arrangements for 2022/23. No significant weaknesses in arrangements identified but improvement recommendations were made in relation to financial sustainability, Governance and Improving economy, efficiency and effectiveness.</p> <p>Members then received an update regarding Corby Borough Council legacy accounts. It was noted that the accounts were yet to be signed off by Ernst &amp; Young (External Auditors). The accounts were yet to go through the professional review where there were five separate items under review. Three items had been completed and may potentially require minor disclosure changes.</p> <p>Both officers and members declared their disappointment and concern regarding the delay in the accounts being signed off by external audit. It was also noted that the Northamptonshire County Council accounts had been signed off.</p>
<b>A5</b>	Risk Management policy and strategy	<p>Rachel Ashley-Caunt, Chief Internal Auditor attended the meeting and presented the Risk Management Policy and Strategy for the Committee’s review. The Risk Management Policy and Strategy set out how the Council would manage risk - both in business as usual and in transformational activity. It also explained how risk was managed at each level of the organisation and how a hierarchy of risk registers (from the strategy risk register down to directorate and project risk registers) was used to communicate and escalate risks.</p>

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		<p>It was noted that since the original Risk Management Strategy was produced and approved in July 2021, the Council had sought to further develop its risk management framework and embed risk management within the organisation. The draft Risk Management Policy and Strategy was intended to reflect the informed and developed risk management approach, with an emphasis on sources of assurance and developing further to align with recommended practice.</p> <p>It was noted that following the progress made in this area, a new Risk Management Policy and Strategy had been drafted to reflect the updated approach and to seek to continue this development of the risk management framework and culture.</p> <p>Areas where the document provides further clarity include:</p> <ul style="list-style-type: none"> <li>• Details on how risks should be identified and recorded, at each level of the organisation;</li> <li>• Support on the application of the risk scoring methodology and tolerances;</li> <li>• Guidance on the importance of the ‘sources of assurance’ section of the risk register and how this should be used to inform high risk areas for internal audit coverage;</li> <li>• An outline of the roles and responsibilities of key officers, including in the escalation process between the different layers of risk register;</li> <li>• How the Council will seek to develop and embed risk management further, including the roll out of officer and Member training;</li> <li>• Reference to the development of fraud risk registers, the process for which will be detailed further in the Counter Fraud Strategy; and</li> <li>• Linking the approach to the Council’s values.</li> </ul>

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		<p>Following debate it was:</p> <p><b><u>RESOLVED</u></b> That the Risk Management and Strategy be approved for adoption.</p>
<b>A7</b>	Internal Audit Progress Report	<p>A report was presented to members of the Audit &amp; Governance Committee was sought to provide the committee with a progress update on the work of the Internal Audit team and the key findings from audits completed to date.</p> <p>It was noted that during the 2023/24 financial year to date, 53% of the planned audits had been delivered to at least draft report stages and a further 46% was in fieldwork stages. This reflected that delivery was on track for this stage in the year. Since the last meeting of the Audit &amp; Governance Committee, finalised reports had been issued in respect of six audit assignments.</p> <p>One update in relation to procurement compliance was provided to members. Compliance against contract procedure rules was undertaken and a number of sample tests were completed. In terms of compliance, testing of purchases made in the financial year to date noted that for 16 out of 25 purchases (64%) there was evidence of compliance with the requirements of the CPRs. In relation to new contracts and contract extensions, for a sample of 15 commencing in the financial year 2023/24 there was evidence available to demonstrate the procurement processed followed in 14 (93%) of cases. In all non-compliant cases noted, the value of the purchase / contract was less than £100k and therefore had not been subject to checks by the Procurement Team, who currently only review purchases over £100k. Actions had been agreed in relation to training, inclusion of procurement training in officer inductions and checks on</p>

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		<p>new contracts added to the register. Based upon the fieldwork completed, a moderate assurance opinion had been given for Control Environment and compliance with a medium organisational impact.</p> <p>The second audit update was provided in relation Revenue and Benefits system implementation. A good level of assurance was provided for control environment and compliance with a low organisational impact.</p> <p>In relation to complaints and compliments management the review found that an effective framework existed to support compliments and complaints. This was based around clearly defined expectations in the Customer Compliments, Comments and Complaints Policy; mechanisms in place to receive compliments and complaints; and the role of the Complaints team in co-ordinating and overseeing the correspondence. However, key areas had been identified, where further action is required to manage associated risks and actions had been agreed in relation to policy review; improvements to reporting to track trends on complaints and learning outcomes; strengthening escalation processes for overdue complaints; improving record keeping on remedies; and clarifying processes for compensation payments.</p> <p>Based upon the fieldwork completed, a moderate assurance opinion had been given for Control Environment and compliance with a medium organisational impact. A number of the recommendations had already been implemented</p> <p>An audit report was then provided in relation to Home to School transport It was noted that the disaggregation process had created challenges, where further action is required to manage associated risks:</p> <p>The review had found that the Council had a clearly defined Home to School Education</p>

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		<p>Transport Policy, that is reflective of statutory guidance. To support the policy, appropriate systems were found to be in place to support the administration of applications, procurement activity and payments. Additionally, arrangements were in place to assess whether providers are meeting the Council’s expectations around child safety and welfare through the work of Inspectors.</p> <p>The review identified a lack of documented procedures covering most of the activity undertaken currently by the Council in support of home to school transport. Additionally, in terms of current working practices, there was limited evidence of the role of management in monitoring, reviewing and approving activity. A review of working practices covering inspections highlighted that the master record provided limited details about the outcome of such activity, and there were concerns over the accuracy / relevance of information included in this record. Based upon the fieldwork completed, a moderate assurance opinion had been given for Control Environment and compliance with a medium organisational impact.</p> <p>Members then received an audit report in relation to Early years providers. Internal Audit visited a sample of 15 early years settings to conduct spot checks against claims that had been submitted for the last period. All of the settings visited had a means of recording attendance (i.e. registers and records of times attended) which were readily available at the time of audit. Testing found that, overall, the majority of claims processed were evidenced as accurate, based on parental contracts and attendance records – but this was not consistent for all children in each setting. In testing, 9 of the 15 settings (60%) were able to evidence that all of the children selected for testing had attended the number of hours claimed for the period - and any exceptions related only to safeguarding or Special Educational Needs and Disabilities (SEND) cases, for which provision is made in the provider agreement. In the other 40% of settings visited, cases were identified where the full claimed hours were not being regularly attended by</p>

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		<p>the named child.</p> <p>The testing also highlighted that in 13% of settings claims had been submitted for children for whom there was no signed, valid parental contract on file for the period; and 47% of settings had gaps in evidence of identification checks for children in the sample. Furthermore, only 38% of settings had evidence on file of checks on eligibility for two-year-old funding.</p> <p>Actions had been agreed in relation to resolving discrepancies highlighted in audit testing; promoting lessons learnt with providers; and supporting on ensuring transparency of voluntary contributions across the range of providers.</p> <p>Based upon the fieldwork completed, a moderate assurance opinion had been given for Control Environment and compliance with a medium organisational impact.</p> <p>An audit report update was then provided to members in relation to the Public Health grant. In overall terms, the audit confirmed that there was an appropriate governance framework in place to regulate and monitor expenditure against the PHG, however work remained ongoing to establish a financial coding structure that clearly identifies PHG spend against the categories outlined in the Revenue Outturn document.</p> <p>Sample testing of expenditure totalling approximately £4.23m back to source documentation, which included costs such as payroll, agency staff, contractors, professional fees/hired services and equipment, confirmed eligibility of spend against PHG terms and conditions.</p> <p>Actions have been agreed in relation to the coding structure; retention of supporting documentation; and clarifying disaggregated spend. A good level of assurance was provided for control environment and compliance with a low organisational impact.</p> <p>Since the last Audit and Governance committee meeting, 49 open actions had been confirmed as implemented There were 89 recommendations overdue for</p>



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		<p>implementation as at 30th January 2024.</p> <p>The Council had recently introduced new spend review processes and this is an area where Internal Audit assurances had been requested. The cancellation of the Planning Service Transformation audit would provide a timely opportunity to reallocate audit days to this priority area. It was, therefore, recommended to member that the Planning Service Transformation audit be cancelled from the 2023/24 plan and that the 12 days be reallocated to support on the spend review processes and assurances over compliance with these new controls in the last quarter of the financial year.</p> <p>Following debate it was</p> <p><b><u>RESOLVED</u></b> That the Audit and Governance Committee noted the progress report and approved the proposed amendment to the Internal Audit Plan, to remove the planned audit on Planning Service Transformation and replace this with assurance work on the Spend Management Review process.</p>