

# Public Document Pack



**Meeting:** Audit and Governance Committee  
**Date:** Monday, 15<sup>th</sup> April 2024  
**Time:** 2.00 pm  
**Venue:** Council Chamber, The Cube, George Street, Corby, Northants. NN17 1QG

**The meeting will be available for the public to view live at our Democratic Services' YouTube channel:**  
<https://www.youtube.com/c/DemocraticServicesNorthNorthantsCouncil>

**To:**

**Members of the Audit and Governance Committee**

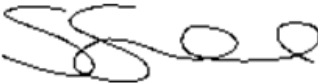
Councillors Andrew Weatherill (Chair), Jonathan Ekins (Vice-Chair), Valerie Anslow, Kirk Harrison, Bert Jackson Ian Jelley, Anne Lee, Richard Levell, Paul Marks, and Russell Roberts.

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

<b>Agenda</b>			
<b>Item</b>	<b>Subject</b>	<b>Presenting Officer</b>	<b>Page No</b>
01	Apologies for non-attendance		
02	Members' Declarations of Interests		
03	Minutes of the meeting held on 12 <sup>th</sup> February 2024		5 - 12
<b>Items for discussion</b>			
04	Auditor's Annual Report 2020-2021 Corby Borough Council	Claire Walsh Assistant Director of Finance & Accountancy	13 – 28
05	Internal Audit Plan 2024/25	Rachel Ashley-Caunt Chief Internal Auditor	29 – 46

06	Internal Audit Charter and Strategy	Rachel Ashley-Caunt Chief Internal Auditor	47 – 64
07	Strategic Risk Register update	Rachel Ashley-Caunt Chief Internal Auditor	65 – 76
08	Internal Audit Progress Report	Rachel Ashley-Caunt Chief Internal Auditor	77 - 100
<b>Urgent Items</b>			
	To consider any items of business for which notice has been given to the Proper Officer prior to the meeting and the Chairman considers to be urgent pursuant to the Local Government Act 1972.		
<b>Exempt Items</b>			
08	None Notified		
09	Close of Meeting		
<p>Sanjit Sull, Monitoring Officer North Northamptonshire Council</p>  <p><b>Proper Officer</b> <b>Friday 5<sup>th</sup> April 2024</b></p>			

This agenda has been published by Democratic Services  
Committee Administrator: Callum Galluzzo  
☎ 01536 534268  
✉ [callum.galluzzo@northnorthants.gov.uk](mailto:callum.galluzzo@northnorthants.gov.uk)

## **Members' Declarations of Interest**

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.

Members are reminded that they should continue to adhere to the Council's approved rules and protocols during the conduct of meetings. These are contained in the Council's approved Constitution.

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](mailto:monitoringofficer@northnorthants.gov.uk)

## **Press & Media Enquiries**

Any press or media enquiries should be directed through the Council's Communications Team to [NNU-Comms-Team@northnorthants.gov.uk](mailto:NNU-Comms-Team@northnorthants.gov.uk)

## **Public Enquiries**

Public enquiries regarding the Council's meetings can be made to [democraticservices@northnorthants.gov.uk](mailto:democraticservices@northnorthants.gov.uk)

## **Webcasting**

Meetings of the Council will be filmed by the Council for live and/or subsequent broadcast on the Council's website. The whole of the meeting will be filmed, except where there are confidential or exempt items. A copy will be retained in accordance with the Council's data retention policy.

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.

If you do not wish to have your image captured you should sit in the public gallery area that overlooks the Chamber.

The Council is obliged by law to allow members of the public to take photographs, film, audio-record, blog or tweet the proceedings at public meetings. The Council will only seek to prevent this should it be undertaken in a disruptive or otherwise inappropriate manner.

The Council intends to webcast all of its public meetings held at the Corby Cube, but if it is unable to do so, for the avoidance of doubt, the meeting will continue as scheduled and decisions and minutes made available on the Council's website in the normal manner.

If you have any queries regarding webcasting or the recording of meetings by the public, please contact [democraticservices@northnorthants.gov.uk](mailto:democraticservices@northnorthants.gov.uk)



## **Minutes of a meeting of the Audit and Governance Committee**

At 2.00 pm on Monday 12th February, 2024 in the  
Council Chamber, The Cube, George St, Corby NN17 1QG

### **Present:-**

#### Members

Councillor Andrew Weatherill (Chair)	Councillor Jonathan Ekins
Councillor Ian Jelley	Councillor Paul Marks
Councillor Anne Lee	Councillor Russell Roberts
Councillor Richard Levell	Councillor Valerie Anslow
Councillor Bert Jackson	

Michael Whitworth (Independent Person)

#### Officers

Janice Gotts	Executive Director of Finance and Performance
Claire Edwards	Assistant Director, Finance
Dean Mitchell	Chief Accountant
Rachel Ashley-Caunt	Chief Internal Auditor
Paul Harvey	Grant Thornton – External Audit
David Watts	Executive Director for Adults, Communities and Wellbeing
Tom Barden	Head of Performance, Intelligence and Partnerships
Callum Galluzzo	Democratic Services

Also in attendance

Councillor Lloyd Bunday

### **147 Apologies for non-attendance**

Apologies for non-attendance were received from Mark C Stocks (Grant Thornton).

### **148 Members' Declarations of Interests**

Councillor Anne Lee declared an interest in item 6 as a Trustee of Groundwork Northants.

### **149 Minutes of the meeting held on 27th November 2023**

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.

It was then

## **RESOLVED**

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

### **150 Audit Update Report**

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.

Planning work has been undertaken by External Audit in relation to:

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

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.

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.

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 & Governance Committee at its next meeting in April 2024.

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.

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.

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.

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 & 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.

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.

## **151 Risk Management policy and strategy**

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.

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.

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.

Areas where the document provides further clarity include:

- Details on how risks should be identified and recorded, at each level of the organisation;
- Support on the application of the risk scoring methodology and tolerances;
- 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;
- An outline of the roles and responsibilities of key officers, including in the escalation process between the different layers of risk register;
- How the Council will seek to develop and embed risk management further, including the roll out of officer and Member training;
- Reference to the development of fraud risk registers, the process for which will be detailed further in the Counter Fraud Strategy; and
- Linking the approach to the Council's values.

Following debate it was:

**RESOLVED** That the Risk Management and Strategy be approved for adoption.

## **152 Partnership Governance Framework**

Tom Barden, Head of Performance, Intelligence and Partnerships attended the meeting and provided members with a report which sought to update the Audit and Governance Committee on progress of work to complete a self-assessment of significant partnerships, following a decision by Executive to adopt the Partnership Governance Framework and the recent amendment of the terms of reference of this Committee to oversee such work.

It was heard that North Northamptonshire Council was a key member of several partnerships with other public sector bodies, as well as with the private and voluntary sectors. Partnerships support the delivery of the Council's corporate strategy. The structure of partnerships can take many different forms depending on the motivation and need for working in partnership, and the different circumstances in the large range and variety of services and legal obligations that the Council is responsible for.

A partnership might take the form of a limited company, or a statutory partnership might be formed without a separate legal entity. This means that the Council needs to manage a complex set of risks associated with the partnerships it is involved with. In order to maintain an overview of the effectiveness, efficiency and governance of partnerships, a Partnership Governance Framework was adopted by Executive in October 2023, and a Register of Significant Partnerships has been created. The Partnership Governance Framework outlined the approach to partnership working and was to be used as an aid to officers and elected members who are involved in these arrangements. Its purpose was to ensure that the Council's interests are protected, by identifying who our significant partners are, understand the purpose of partnerships with them, how they are operated and governed, and have procedures in place to influence these arrangements when necessary.

The Framework set out a mechanism for gaining the benefits and managing the risks around partnerships by introducing a set of roles and responsibilities for officers and Members involved in partnerships, particularly the 'Lead Officer', who is the main point of contact between the Council and the partnership. The Framework also introduced an approval process for entering new partnerships, and an annual self-assessment process to be completed by the Lead Officer.

Members sought to increase frequency of reports including that of the Children's Trust where some partnerships have identified more risk than others. It was heard that officers would work in cooperation with the committee and internal audit to identify high risk partnerships that would require more frequent updates.

Members then received an update regarding previous ongoing work with the Children's Trust. It was heard that following on from the Committee's concerns regarding sources of assurance. The chair undertook correspondence and subsequent meetings with the chair of the Finance, Resources and Audit Committee. The chair shared the views of the Audit and Governance Committee where there was a deficiency in sources of assurance for The Children's Trust. It was noted that West Northamptonshire Council had recently appointed a new head



of internal audit. The draft audit plan for 2024/25 has been linked to the risk register indicating a risk based approach.

Following debate it was:

- RESOLVED** that the Audit and Governance Committee
- (a) Reviewed and noted the draft Register of Significant Partnerships
  - (b) Approved the proposed next steps for completing self-assessment work and reporting back to Committee

## **153 Internal Audit Progress Report**

A report was presented to members of the Audit & 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.

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 & Governance Committee, finalised reports had been issued in respect of six audit assignments.

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 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.

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.

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.

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

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:

The review had found that the Council had a clearly defined Home to School Education 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.

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.

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 the named child.

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.

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.

Based upon the fieldwork completed, a moderate assurance opinion had been given for Control Environment and compliance with a medium organisational impact.

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.

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.

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.

Since the last Audit and Governance committee meeting, 49 open actions had been confirmed as implemented There were 89 recommendations overdue for implementation as at 30th January 2024.

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.

Following debate it was

**RESOLVED**

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.

**154 Close of Meeting**

The meeting closed at 4.06 pm

---

Chair

---

Date

This page is intentionally left blank

## Audit & Governance Committee 15<sup>th</sup> April 2024

<b>Report Title</b>	<b>Auditor's Annual Report 2020-2021 Corby Borough Council</b>
<b>Report Author</b>	<b>Claire Edwards – Assistant Director of Finance &amp; Accountancy</b> <a href="mailto:Claire.Edwards@northnorthants.gov.uk">Claire.Edwards@northnorthants.gov.uk</a>

### List of Appendices

#### Appendix A – Auditor Annual Report

##### **1. Purpose of Report**

---

- 1.1. The purpose of this report is to present the Auditor's Annual Report in relation to Corby Borough Council for 2020/21 to those charged with Governance. This has been prepared by the Council's External Auditor (EY), to provide the conclusion of the audit work for the 2020/21 financial year.

##### **2. Executive Summary**

---

- 2.1. This report provides the Committee the Auditor's Annual Report on the conclusion of the value for money arrangement and the statement of accounts audit opinion for 2021/22.

##### **3. Recommendations**

---

- 3.1. It is recommended that the Committee:

- a) Receives the Auditor's Annual Report for 2020/21 to those charged with Governance.

- 3.2. Reason for Recommendations –

- In accordance with the Council's constitution the Audit & Governance Committee are required have oversight of the conclusion of the audit.

##### **4. Report Background**

---

- 4.1. The accounts for Corby Borough Council have now been signed off with an unqualified audit opinion for 2020/21, together with the conclusion on the Value for Money review.

- 4.2. No material adjustments were required to the accounts, except for further

narrative disclosure included within Note 39.

## **5. Issues and Choices**

---

- 5.1. The Committee is being requested to note the Auditor's Annuals Report for Corby Borough Council and the conclusion of the audit work for 2020/21.
- 5.2. The report outlines the conclusion of the work undertaken for 2020/21 as shown in Appendix A for the Financial Statements and Value for Money assurance.
  - Updated key findings of the audit of the financial statements are shown in Appendix A pages 6 – 7.
  - Updated value for money assessment is shown in Appendix A pages 8 – 12.

## **6. Implications (including financial implications)**

---

### **6.1. Resources and Financial**

- The financial implications are set out within the Auditors Annual Report.

### **6.2. Legal**

- None specific to this report.

### **6.3. Risk**

- The Council's External Auditors have set out the risks in their Auditors Annual Report (Appendix A).

### **6.4. Consultation**

- None specific to this report.

### **6.5. Consideration by Scrutiny**

- Not specific to this report.

### **6.6. Climate Impact**

- None specific to this report.

### **6.7. Community Impact**

- None specific to this report.

## **7. Background Papers**

---

- 7.1. Council Constitution.



Corby Borough Council

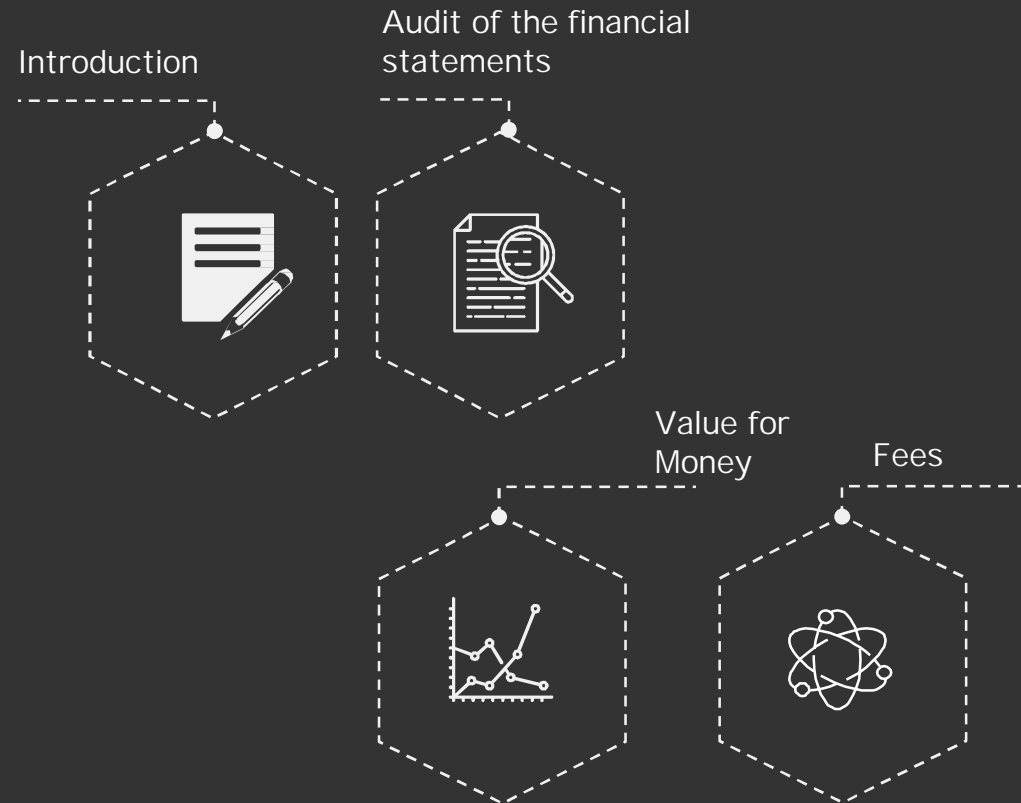
Auditor's Annual  
Report

Year ended 31 March 2021

Page 15

Appendix A

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Authority and management of Corby Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Authority and management of Corby Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Authority and management of Corby Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





# Introduction

## Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Authority, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued in January 2023. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority;
- If we identify a significant weakness in the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## Responsibilities of the Authority

The Authority is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Introduction (continued)

### 2020/21 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended. We issued our auditor’s report on 21 March 2024.
Going concern	We have concluded that the Executive Director of Finance’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	<p>We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.</p> <p>On the basis of our work, having regard to the Code of Audit Practice 2020 and the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weakness in the Authority’s arrangements for the year ended 31 March 2021.</p> <p>Risk management and internal controls are important elements of an authority’s performance management system and are crucial to the achievement of planned outcomes. The following significant weaknesses in internal controls were present during 2020/21:</p> <ul style="list-style-type: none"><li>- bank reconciliations were not performed in a timely manner;</li><li>- the Corporate Risk Register was not updated or presented to the Governance and Audit Committee for scrutiny; and</li><li>- weaknesses in the financial statements preparation processes leading to material errors in the draft financial statements, poor quality supporting working papers and, in some cases, supporting records not being retained.</li></ul> <p>The issues above are evidence of weaknesses in proper arrangements impacting governance and improving economy, efficiency and effectiveness.</p>



## Introduction (continued)

### 2020/21 Conclusions

Consistency of the annual governance statement	We requested additional detail be included in the annual governance statement with regard to the value for money issues identified. These changes have been made and we were satisfied that the revised annual governance statement was consistent with our understanding of the Authority .
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	The NAO as group auditor has confirmed that no further assurances will be required from us as component auditors in respect of the 2020/21 Whole of Government Accounts submission.
Certificate	We have issued our audit certificate as part of the audit report dated 21 March 2024.



# Audit of the financial statements

## Key findings

The Narrative Statement and Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

On 21 March 2024, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 15 September 2023 Governance and Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

## Significant risk

## Conclusion

Misstatements due to fraud or error

An ever present risk is that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our work did not identify any material weaknesses in the design or operation of controls or evidence of material misstatements, whether due to fraud or error.

Our work did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

Inappropriate capitalisation of revenue expenditure

Our testing of capital additions highlighted two errors:

- a number of representative sample items that have been capitalised for which the Council is unable to evidence compliance with the capitalisation criteria set out in IAS 16. These have been amended in the revised financial statements; and
- the Council has capitalised £457k of internal recharges. The Council has been unable to evidence how these roles meet the definition of IAS16. The Council did not adjust the financial statements for this error and management representation has been provided.



## Audit of the financial statements (continued)

Area of audit focus	Conclusion
Valuation of investment property	<p>As a result of our testing the value of investment property increased by £5.2m from the draft financial statements. The issues identified included, but were not limited to:</p> <ul style="list-style-type: none"><li>• Incorrect land sizes being used;</li><li>• The inclusion of a property which had been sold; and</li><li>• Incorrect componentisation, resulting in valuation errors.</li></ul>
Valuation of Council Dwellings	We did not find any issues in the valuation or subsequent disclosure of Council Dwellings in the Authority's financial statements.
Valuation of property, plant and equipment	<p>As a result of our work the net book value of PPE increased by £1.2m from the draft financial statements.</p> <p>Our testing highlighted errors in the classification of surplus assets, the valuation basis of community centres and the accuracy of the revaluation reserve. As these errors resulted in material misstatements and these were prevalent in the prior year, under the provisions of IAS8 the Council were required to calculate the impact on the prior year and restate the comparators in the 2020/21 financial statements.</p> <p>In addition a number of adjustments were required to the valuations based on the results of the work of our specialist.</p>
Recognition of grant income associated with Covid-19	We identified a small number of immaterial misstatements which were corrected by management.
Pension liability valuations	No issues were identified as a result of our testing.

We identified two further uncorrected errors relating to an over accrual of expenditure and prior year expenses included in the current year financial statements. This overstated expenditure by £196k. Management did not amend for this due to the error being immaterial. We sought management representation to confirm this.



# Value for Money

## Risk assessment

### Scope and Reporting

We are required to report on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the Authority, which was based on a combination of our cumulative audit knowledge and experience, our review of Authority reports, meetings with officers and evaluation of associated documentation through our regular engagement with Authority management and the finance team.

As a result of the issues detailed below we have issued a modified auditors report as we have identified significant weaknesses in the arrangements in relation to the governance criteria. The below issues are all evidence that the Council did not have sufficient and appropriate arrangements in place to ensure it makes informed decisions and properly manages its risks.

*Note: Corby Borough Council demised as at 31 March 2021 and formed part of the new North Northamptonshire Council from 1 April 2021. The VFM commentary on pages 9 to 12 covers the arrangements in place during that year and up to the point the Council ceased to exist.*

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Bank reconciliation: During the audit we identified that management had not undertaken a bank reconciliation in 2019/20 and 2020/21 financial year.</p> <p>The bank reconciliation is a key financial control in the production of the financial statements and other financial information which the Council rely upon.</p>	Governance	<p>During the course of the audit we identified that management had not undertaken the bank reconciliation throughout 2020/21 financial year.</p> <p>The Annual Governance Statement has been updated to reflect that the Council did not perform a bank reconciliation between April 2019 and April 2021. The bank reconciliation is a key component of the control environment and necessary for the prevention and detection of fraud and error. As the entity did not perform a bank reconciliation during 2020/21, management would have been unable to detect whether their internal reporting throughout the year was materially complete and accurate.</p>
<p>Risk registers: Our initial planning procedures highlighted that no risk registers had been prepared in year.</p>	Governance	<p>Our planning identified that the Council did not prepare risk registers for the 2020/21 financial year and that risk management was not effectively managed or presented to members throughout the year.</p>
<p>Financial statements: Our work on the financial statements highlighted a number of internal control weaknesses which impacted the quality of financial reporting.</p>	Governance	<p>Our review of the financial statements and subsequent work has highlighted a number of control weaknesses. The accounts prepared for audit were of poor quality and source records in support of those, in some instances, had not been retained which required additional audit procedures to be carried out to obtain the required assurance for the audit report.</p>

# Value for Money – Summary of arrangements

---

## Financial Sustainability

---

The Corporate Plan informs the development of the annual budget and the operational Service Plans for the delivery of all Council services. The Service Plans will set out the activities that each service will undertake to deliver against the priorities set out in the Corporate Plan and the S151 Officer liaises with the senior management team in the preparation of the Medium Term Financial Plan (MTFP) to ensure consistency.

Despite continued budget constraints, the Council put in place arrangements to manage the available resources effectively to ensure it could continue to fund services. In common with most local authorities, the Covid-19 pandemic has had a significant impact on the Council's financial position in 2020/21. This continued into 2021/22 and beyond, although the extent of the longer-term impact will depend on how quickly the wider economy recovers. Reductions in Council tax and Business Rates collected during 2020/21 has impacted on the Council's financial position, although Central Government will fund a proportion of Covid related losses.

The financial plan and budget that was presented to Council, ahead of the start of the following year, reflects revenue, investments and capital planning as expected. Treasury management and capital proposals were reviewed on a regular basis. Financial plans included areas that are also reported on individually to ensure a robust financial resilience position. The budget was fully itemised and broken down across Council services to ensure all areas were recognised and consistent with the wider strategy and budget.

Significant savings and efficiencies were identified in full, in advance of the 2020/21 financial year. These were detailed through the Council's budget setting process (moving forward via North Northamptonshire Council - NNC). Monthly budget monitoring meetings were held between finance and budget managers. Variances were highlighted at an early stage in order to inform the medium term plans and future. Financial risk within the plans was monitored with the regular monthly monitoring to quickly identify any areas of concern. Regular reports were provided to the senior management team to identify risk and plans to mitigate prepared.

The Council planned its finances through an increased robustness of MTFS savings plans, including more explicit linkages to the Council's business priorities. This was structured in a way to combine and capture all of the Council's strategic plans. The Council had a credible track record of delivery of savings on which to whether such challenge and holds reserves and contingencies to help mitigate against risks and uncertainties such as Covid 19.

As the Council has been merged into North Northamptonshire Council (NNC), the budget and MTFP for 2021/22 was prepared by the new Council and we have not covered that in our work.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21 to enable it to plan and manage its resources to ensure that it could continue to deliver its services.

---

# Value for Money – Summary of arrangements

## Governance

The Council had a long-established Constitution which together with a range of codes of conduct, policies and procedures which supported informed decision making. The Council's Constitution included guidelines on how decisions need to be made and by whom. The Council had procedures that comply with the Freedom of Information Act and required elements of the General Data Protection Regulations, such as subject access requests and publication of privacy notices. Council or committee reports were published via the Council's website.

A risk management framework was in place which included regular reporting of risk to the leadership team via review meetings and to Members at the Audit & Governance Committee. The Council set out its annual Internal Audit plan ensuring that key internal controls were assessed and reported.

From our audit procedures we identified that the Council did not prepare risk registers for the 2020/21 financial year. The risk register is a key element of the Authority's governance framework that enables it to monitor and manage the risks to the achievement of its strategic objectives. As part of its risk management system, the Corporate Risk Register should be reported to and reviewed by the Council's Senior Management Team and the Audit and Governance Committee on a regular basis. As the Corporate Risk Register was not updated or scrutinised by Council Members, the Authority did not have an effective control in place to monitor and manage risks to the achievement of its strategic objectives. and that risk management was not effectively managed or presented to members throughout the year. We considered this to be a significant weakness in arrangements and as a result modified our audit opinion in this respect.

The annual Internal Audit opinion is given as part of the overall assurance framework and is used to inform the preparation of the Annual Governance Statement, which was included within the Annual Financial Report and included an assessment of all internal audit reports and the assurance they provided over internal control environment. Internal audit work was carried out on anti fraud throughout the year and an overall assessment of arrangements made as part of overall Internal Audit opinion in Annual Governance Statement. The overall assurance opinion for 2020/21 from Internal Audit was Satisfactory.

Both Internal and External Audit reports were taken to Audit & Governance Committee that identified deficiencies in controls relating to the performance of bank reconciliations. The bank reconciliation is a key component of the Council's control environment and necessary for the prevention and detection of fraud and error. Throughout the financial year bank reconciliations were not completed in a timely manner. Whilst the underlying matching processes for payments and receipts had been completed during 2020/21 financial year, outstanding reconciling items had not been resolved in a timely manner or been subject to any independent review. As part of the preparation of the 2020/21 financial statements, the Council performed all outstanding reconciliations and was able to reconcile balances as at 31 March 2021. No issues were identified in the year end bank reconciliation. Management has put in place regular bank reconciliations from April 2021 and is reviewing the wider control environment and financial reporting arrangements for the new North Northamptonshire Council. We considered this to be a significant weakness in arrangements and as a result modified our audit opinion in this respect.

The Council had a statutory Head of Service (Chief Executive), S151 officer (Executive Director of Finance) and also a statutory monitoring officer (Executive Director of Resources) in post during the year. The constitution provides further safeguards as do the management assurance statements provided by all senior managers, and the annual governance statement. The S151 and monitoring officers declare in the quarterly monitoring reports if there have been any known breaches of the constitutional procedure rules. This quarterly monitoring report is considered by the Cabinet. Staff also complete declarations of interest as part of closedown and in 2020/21 there were no instances of non-compliance.



# Value for Money – Summary of arrangements

---

## Governance (continued)

Regular monitoring of key performance indicators is undertaken monthly, reports are prepared within the services and are reviewed by Senior Management and then presented at the appropriate Committee: Cabinet, Council, Audit, Budget & Financial Strategy, Planning, Scrutiny and/or Standards to provide transparency and allow for challenge, these meetings are clearly documented and actions recorded and followed up.

The Council produced regular formal budget monitoring reports in line with its budget monitoring timetable. This included regular reporting to the Council's senior management team and Executives. Budgets are reviewed on a monthly basis with the appropriate manager with appropriate scrutiny and challenge, reasons for variances are documented and mitigated where possible. Formal reports are taken to Resources Committee on a quarterly basis, including outturn reports.

We have considered the quality of the draft financial statements prepared for audit and the weaknesses in the financial statements preparation processes which led to material errors in the draft financial statements, poor quality supporting working papers and, in some cases, source supporting records not being retained which led to additional testing by audit to verify the balances and transactions. The draft financial statements were significantly amended before the audit report could be concluded. These weaknesses in the processes and systems to support its statutory financial reporting requirements meant that the financial statements and supporting working papers presented for audit were of poor quality, requiring additional time and effort from Council officers and the audit team. We considered this to be a significant weakness in arrangements and as a result modified our audit opinion in this respect.

Conclusion: Based on the work performed, we have identified significant weaknesses in the arrangements that we reported by exception in relation to:

- bank reconciliations were not performed in a timely manner;
- the Corporate Risk Register was not updated or presented to the Audit and Governance Committee for scrutiny;
- weaknesses in the financial statements preparation processes leading to material errors in the draft financial statements and poor quality supporting records.

*Note: We have not made any recommendations in relation to the weaknesses identified as the improvements required in the governance arrangements for preparing financial statements and managing risk and internal control are the responsibility of the new Council, North Northamptonshire Council.*

---

# Value for Money – Summary of arrangements

---

## Improving economy, efficiency and effectiveness

---

The Council used a number of frameworks to identify and deliver savings, which were set out in the budget report. The Council's performance reporting included monitoring of key performance indicators (KPIs) as well as financial monitoring reports which were taken to the Executive meetings. Regular reports in respect of joint working projects are taken to committee for consideration.

Regular monitoring of key performance indicators was undertaken monthly, reports were prepared within the services and were reviewed by Senior Management and then presented at the appropriate Committee: Cabinet, Council, Audit, Budget & Financial Strategy, Planning, Scrutiny and/or Standards to provide transparency and allow for challenge. These meetings were clearly documented and actions recorded and followed up.

The Council had clear procurement policies and procedures and provided training for all officers. Compliance was regularly reported at the leadership team.

The Council had an Internal Audit service which, in addition to providing assurance services, also provided operational recommendations and controls reviews. The outcome of these and any recommendations were tracked at Audit & Governance Committee. This information was used in conjunction with financial and performance information to identify areas for improvement.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

---

## Fees, Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there were no future services which had been contracted and no written proposal to provide non-audit services had been submitted to the now demised Authority.

We carried out our audit of the Authority's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

There will be a significant scale fee variation for the 2020/21 audit to respond to the significant and inherent risks, areas of focus on our audit of the Council's financial statements as well as our work on value for money arrangements as set out in this report. We have also communicated to management the need for additional fee due to the level of error identified in the draft accounts based on audit work on the accounts and the poor quality working papers provided for audit. The level of audit work undertaken to get assurance over the transactions and balances in the draft accounts was extensive with the majority of samples being extended to reach a conclusion over the error in the population.

Page 27

Audit Fees	Final Fee 2020/21	Final Fee 2019/20
	£	£
Scale Fee – Code work	£36,692	£36,692
Final 2019/20 scale fee variation as determined by PSAA		£28,377
Scale fee increase proposed 2020/21 (see Note 1)*	£36,181	-
Scale fee variation proposed re specific 2020/21 issues (See Note 2)*	£119,125	-
Code of Audit Practice 2020 and updated auditing and accounting standards 2020/21 (see note 3)*	£15,349	-
<b>Total Fees*</b>	<b>£207,347</b>	<b>£68,069</b>

Note 1 – As communicated previously, we are in an unprecedented period of change. A combination of pressures are impacting Local Audit and has meant that the sustainability of delivery is now a real challenge. This in combination, is requiring us to revisit with PSAA the basis on which the scale fee was set. This results in a proposed increase in the scale fee of £36,181.

Note 2 - We have quantified the impact of the specific 2020/21 issues to be £119,125.

Note 3 - The impact on audit fees of the new requirements in the Code of Audit Practice 2020 and new or updated auditing and accounting standards for 2020/21 audits as set out in the additional information for 2020/21 audit fees issued by PSAA in August 2021. This paper sets out agreed fee ranges for the new requirements. For the Authority we determined this to be £10,855 for VFM and £4,494 in relation to the new estimates standard ISA540. This does not cover the additional work in relation to additional pensions assurance.

\*Subject to determination by PSAA.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

© 2020 EYGM Limited.

All Rights Reserved.

ED None

EY-000070901-01 (UK) 07/18. CSG London.

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.  
[ey.com](http://ey.com)

## Audit and Governance Committee 15<sup>th</sup> April 2024

Report Title	Internal Audit plan 2024/25
Report Author	Rachel Ashley-Caunt, Chief Internal Auditor

### List of Appendices

#### Appendix 1: Draft Internal Audit plan 2024/25

##### 1. Purpose of Report

---

- 1.1 To provide the committee with the draft Internal Audit Plan for 2024/25, for review and approval.

##### 2. Executive Summary

---

- 2.1 The Internal Audit Plan for 2024/25 has been developed in accordance with the planning process presented to the Audit and Governance Committee in November 2023 and in line with the requirements of the Public Sector Internal Audit Standards. In accordance with the Standards, the plan should be reviewed and approved by the Audit and Governance Committee. The plan will then remain subject to ongoing review to ensure it remains focused on the Council's key risks and continues to add value.

##### 3. Recommendations

---

- 3.1 It is recommended that the Committee:
- a) Approve the Internal Audit Plan for 2024/25, as provided in Appendix 1.
  - b) Approve a delegation to the Executive Director of Finance and Performance (S151 Officer) to agree amendments to the Internal Audit Plan 2024/25 in year, as necessary, in consultation with the Chair of the Audit and Governance Committee.
- 3.2 Reason for Recommendations –
- For the Committee to exercise its duties and responsibilities under the Public Sector Internal Audit Standards.

##### 4. Report Background

---

- 4.1 The role of Internal Audit is to provide the Audit and Governance Committee, and management, with independent assurance on the effectiveness of the internal control environment. The Public Sector Internal Audit Standards require that the Chief Internal Auditor must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals” and “must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management (Corporate Leadership Team) and the board (Audit and Governance Committee) for review and approval”.
- 4.2 The Internal Audit plan for 2024/25 has been developed based on an assessment of the Council’s Corporate Plan and Risk Register, and in consultation with senior management. The Chief Internal Auditor has also considered the Internal Audit coverage over the last two years and any areas where audit assurances or follow up work may be of value. The Audit and Governance Committee was consulted on any areas to be considered in the development of the Audit Plan and a workshop in March 2023 provided an opportunity to consult committee members on the key areas of coverage proposed for inclusion in the plan.
- 4.3 The draft Internal Audit Plan is provided in Appendix 1, along with details on the audit planning process. Also included in Appendix 1 is a reserve list of other risk areas identified for consideration in the audit planning process, and the proposed action if these are not to be covered in 2024/25.
- 4.4 The plan must remain live and responsive to any changes in the risk environment. As such, the content will be subject to ongoing review and it is recommended that a delegation be approved to enable in year changes to be agreed by the S151 Officer, in consultation with the Chair of the Audit and Governance Committee. Any such amendments would be reported upon at the subsequent meeting of the Audit and Governance Committee and enables the Internal Audit team to respond to such changes between formal meetings.

## **5. Issues and Choices**

---

- 5.1 The report provides the annual Internal Audit Plan for the Committee’s review and approval.

## **6. Implications (including financial implications)**

---

### **6.1 Resources and Financial**

- 6.1.1 The Internal Audit plan will be delivered within the available resources and budget.

### **6.2 Legal**

- 6.2.1 None specific to this report.

### **6.3 Risk**

- 6.3.1 The Internal Audit Plan seeks to provide assurance over the Council’s risk management and internal control processes.

**6.4 Consultation**

6.4.1 None specific to this report.

**6.5 Consideration by Scrutiny**

6.5.1 Not required on this occasion.

**6.6 Climate Impact**

6.6.1 None specific to this report.

**6.7 Community Impact**

6.7.1 None specific to this report.

**7. Background Papers**

---

7.1 None.

This page is intentionally left blank





# Internal Audit Plan 2024/25

**Chief Internal Auditor: Rachel Ashley-Caunt** CPFA

## **Internal Audit Plan 2024/25**

### **1. Introduction**

- 1.1 This report sets out the proposed work of Internal Audit at North Northamptonshire Council for 2024/25 for review and approval by the Audit and Governance Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. The provision of assurance services is the primary role for Internal Audit in the public sector. This role requires the Chief Internal Auditor to provide an annual Internal Audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.3 Internal Audit also provide consultancy services which are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion. Any proposed consultancy/advisory work is clearly specified as such on the Audit Plan.
- 1.4 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:
- The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit and Governance Committee;
  - The audit plan should be reviewed and approved by an effective and engaged Audit and Governance Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
  - The Chief Internal Auditor should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations.

### **2. The Audit Plan**

- 2.1 The Audit Plan covers the two key component roles of Internal Audit:
- The provision of an independent and objective opinion to the Section 151 Officer and the Audit and Governance Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
  - The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.
- 2.2 Central to the organisation, is the core delivery of the Council's objectives and corporate plan. The risk-based audits are focused upon providing independent assurance over the controls in place to support delivery of those objectives.
- 2.3 In order to protect the Council in delivering these objectives, it is essential that the Council's key corporate controls and policies are operating effectively to prevent the risk of financial loss, failure to comply with legislation, lack of accountability and reputational damage. These controls and policies cover both financial and non-financial systems and processes. These policies and controls must be complied with by all service areas to secure the Council's ongoing stability and service delivery.
- 2.4 Further protecting and underpinning the Council's ongoing delivery of its objectives are robust counter fraud controls and good governance. Without these, the Council would be exposed to the risk of fraud and corruption (both internally and externally), uninformed or

non-transparent decision making, loss of accountability and direction, poor risk management and failure to embed and demonstrate ethical behaviours and values.

2.5 The Council's risk management process is applied to identify, record, monitor and manage its risks. The risk registers, both corporate and directorate level, have been considered in informed risk-based audit coverage for the year ahead.

2.6 As such, the Audit Plan is designed to deliver independent, objective assurance on each of these areas – which are vital to the successful delivery of the Council's objectives and services.

### **Value for money**

2.7 In addition to assurance over governance, risk management and controls, the Audit Plan should also provide assurance over the Council's delivery of value for money. Assurance over value for money is embedded within each audit assignment.

2.8 Some of the corporate level audits will provide specific assurances in relation to the value for money requirements – the audit of procurement compliance, for example, will seek assurance over the effective procurement of supplies and services.

### **Fraud risks**

2.9 In the scoping of every audit assignment, consideration is given to any fraud risks associated with the processes under review. These are specifically considered for any relevant audit coverage.

2.10 In addition, the Internal Audit team also support with pro-active counter fraud work and are available to provide ad-hoc advice and assistance should any concerns be raised.

## **3. Planning process**

2.11 In order to ensure that the Audit Plan for 2024/25 addresses the Council's key risks and adds value, the Chief Internal Auditor has identified and prioritised the areas for coverage by:

- Reviewing the Council's Risk Registers and Corporate Plan;
- Considering the sources of assurance listed against each of the Council's risk entries, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Identifying areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last three years;
- Considering latest performance reporting for areas of underperformance;
- Report on the proposed audit planning process at Audit and Governance Committee in November 2023 to consult members of the committee on the process and any areas where assurance was specifically sought. This was followed by a workshop with committee members in February 2024 to discuss the audit planning process in more depth and consult on areas highlighted during the process for inclusion in the plan; and
- Meeting with members of Corporate Leadership Network to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

- 2.12 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from all councils with whom North Northamptonshire Council's Internal Audit team works.
- 2.13 Following this consultation and review, a draft Internal Audit Plan has been compiled and is provided in Table 1.
- 2.14 In order to ensure the Audit Plan addresses the Council's key risks and that the service is able to respond to any in year changes to the organisation's business, risks, operations, programs or systems, it is vital that the content of the Plan be subject to ongoing review throughout the financial year. To enable the service to be responsive and ensure all audit resources are used effectively and add maximum value, it is recommended that arrangements be agreed to allow changes to the Plan to be made between Audit and Governance Committee meetings, involving consultation between the Chief Internal Auditor, the S151 Officer and Chair of the Audit and Governance Committee.
- 2.15 Also provided is a 'reserve list' showing the other potential areas for coverage which were considered in the drafting of the Plan but were assessed as lower priority. Should the risk environment change, which impacts on the relevance of the planned audit work, these can be considered as potential areas for alternative audit work – depending on any wider risk implications. The details of those areas are provided in Table 2, which explains the proposed plan for seeking assurances, should the audit coverage not be included in 2024/25.

#### **Resources**

- 2.16 Internal Audit is delivered by the in-house service, which was established in April 2022. Since April 2022, the Internal Audit team has sought to recruit a strong, professional team of auditors and further appointments were made during 2023/24. There remain some vacancies within the agreed structure and further recruitment exercises will take place in 2024/25. In the meantime, the plan has been based on the current team plus recruiting to a vacant Principal Auditor position within the structure, with potential to engage temporary support as needed. This arrangement gives the service flexibility in resourcing and opportunity to invest in the existing team members with training and study support.
- 2.17 The audit assignments are delivered by a team of audit staff with a mix of highly regarded professional qualifications (including CIPFA, ACCA and IIA) and extensive experience in the public and private sector. There are also areas of specialism that can be applied in the delivery of the audit plan – such as experience in contract audits, information systems and data protection. The allocation of audits to audit staff takes such specialisms into consideration to maximise the benefits of the skills mix and support staff development.
- 2.18 Every year, all members of the team complete a declaration form to ensure and maintain independence and objectivity in conducting all assignments. As such, the Chief Internal Auditor can confirm the service's independence. The in-house team enables the Chief Internal Auditor to allocate audits to various officers over time, to avoid risks associated with over familiarity.
- 2.19 On an annual basis, the Chief Internal Auditor completes a self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards. In doing so, the Chief Internal Auditor must consider whether the resource base and mix is adequate and would highlight to the S151 officer and Audit and Governance Committee if there were any concerns that the resources in place could not provide the required coverage to inform the annual Assurance Opinion.

**Table 1: Draft Internal Audit Plan 2024/25**

<b>Assurance areas</b>	<b>Internal Audit assignments (including assurances sought)</b>	<b>Audit days</b>	<b>Risk ref *1</b>	<b>Initial timing</b>	<b>Directorate lead</b>
Key corporate controls and policies	<b>Procurement compliance</b> To providing rolling assurances during the financial year on compliance with the Council's contract procedure rules in the procurement of goods and services.	15	SRR10	Q2	Finance & Performance
	<b>Information governance</b> To provide assurance over compliance with the General Data Protection Regulation (GDPR) requirements and data protection legislation. To focus upon the key areas of secure data handling/processing; responding to data breaches; and data retention/disposal.	15	SRR09	Q2	Chief Executive's Office
	<b>Absence management</b> To provide assurance over the accuracy and completeness of reported absences and compliance with Council policy to support officers back to work and manage absence cases effectively.	12	SRR11	Q1	Chief Executive's Office
	<b>Budgetary control and forecasting</b> Assurance on the robustness of the budgetary control process and ensuring informed forecasting during the financial year to inform decision making.	14	SRR08	Q4	Finance and Performance
IT risks	<b>Cyber security</b> To provide rolling assurances throughout the financial year on key elements of cyber security – including preventative, detective and pro-active controls.	30	SRR03	Six monthly	Chief Executive's Office
	<b>IT asset management</b> To provide assurances over the management of the Council's hardware (asset registers, disposals, financial implications where processed via partners) and software (licensing).	22	SRR03	Q2	Chief Executive's Office
	<b>Digital services</b> Following the disaggregation of this service, to support the development of the in-house service and the governance surrounding this - including projects and website infrastructure/intranet.	20	-	Q4	Chief Executive's Office
Governance	<b>Ethical governance (advisory)</b> To support the embedding of ethical governance policies. This may include independent review of updated policies, staff and Member training/awareness promotion, support with self-assessments against latest guidance or publications (i.e., Penn report from 2023).	15	SRR02	Rolling	Customer & Governance
	<b>Decision making and delegations</b> To provide assurance over the consistent compliance with delegated decision-making powers and decision making in line with the Council's Scheme of Delegation/Constitution.	15	SRR02	Q2	Monitoring Officer

Assurance areas	Internal Audit assignments (including assurances sought)	Audit days	Risk ref *1	Initial timing	Directorate lead
Modern public services	<b>Fee setting and uplifts in Adults Services</b> To provide assurance over the robustness of processes and rationale for fees and uplifts applied to contracts in Adults services.	14	SRR07 SRR10	Q1	Adults
	<b>Reception areas</b> To provide assurances over the management of customer service reception areas to ensure that customers' needs are met, to an expected service standard and in line with accessibility requirements (incl self service offerings), and staff are enabled and supported to work safely. An internal review is currently underway and an independent review following this would provide assurance over the conclusions reached and inform ongoing work.	12	SRR16	Q1	Chief Executive's Office
	<b>Income management system / PCI DSS</b> The new call solution system is now in place and there should be no incidents now where call handlers are handling payment card data. As such, assurances to be sought over the embedding of this new system, officer understanding and interaction with the new system, and ensuring that PCI DSS requirements are now satisfied.	16	-	Q1	Chief Executive's Office
	<b>Workspace transformation</b> To provide assurances over the project management arrangements to ensure delivery on budget and timescales; and realisation of benefits [embedded assurance].	15	SRR07	Q1 onwards	Place and Economy
	<b>Fuel cards (advisory)</b> To provide some counter fraud targeted advisory support on management of this risk. To schedule for Q2 to enable time for new team to become established, following appointment to posts.	5	A06	Q2	Place and Economy
	<b>Bus lane enforcement</b> To provide assurance over the operation of the bus lane enforcement. Currently operating in Wellingborough and being rolled out in Corby in March 2024. To inform any improvements in processes ahead of roll out in Kettering.	15	New process	Q2	Place and Economy
	<b>Complaints management</b> To provide assurance over progress made in addressing findings from the 2023/24 audit and to include assurances on the roll out of the new case management system for complaints, MP and member enquiries.	12	-	Q3	Chief Executive's Office
Safe and thriving places	<b>Planning applications (advisory)</b> To conduct advisory work to explore areas for improvement in ensuring consistent and compliant handling of major, minor and other planning applications, including evidencing of consultation process.	12	G08	Q1	Place and economy

Assurance areas	Internal Audit assignments (including assurances sought)	Audit days	Risk ref *1	Initial timing	Directorate lead
	<b>UK Shared Prosperity Fund (UKSPF)</b> To provide assurance over the compliant and effective use of UKSPF grant funding.	15	-	Q1	Place and Economy
	<b>Transitional tenancies (housing)</b> To provide assurance over compliance with expected controls/regulations in handling of tenancy successions and mutual exchanges	20	-	Q1	Housing
	<b>Social housing fraud pilot (advisory)</b> To provide counter fraud support with the outcomes of the latest NFI pilot data matching.	30	-	TBC	Housing
	<b>Social housing regulations</b> To provide assurance over preparedness for new regulations in regards to 'knowing your tenants' and 'knowing your stock'.	25	-	Q2	Housing
	<b>Temporary accommodation</b> To provide assurance over compliance with legal requirements/eligibility assessments for handling of homelessness applications and consistent compliance with policy to ensure fairness and value for money in temporary accommodation placements.	15	H01	Q2	Housing
	<b>Housing disrepair cases (advisory)</b> To provide advisory support, including potential benchmarking, on handling of disrepair cases, following national and local increases.	10	SRR08	TBC	Housing
	<b>Resettlement programme</b> To provide assurances over the use of the funding and compliance with terms. Approximately £3m paid out in 2023/24.	12	Grant	Q2	Public Health
	<b>Health and safety in waste services</b> Assurance on the Council's processes and procedures to ensure compliance with Health and Safety legislation. Work has been underway on risk assessments internally and assurance sought on progress made in ensuring consistency in approach and overall compliance - across waste and street cleansing services.	15	SRR16 H&W07	Q2	Place and Economy
	<b>Disabled Facilities Grants</b> Grant claim verification and review of processes.	15	Grant	Q2	Place and Economy
	<b>Landlord health and safety</b> To provide rolling assurances over compliance regimes to ensure safety of properties - including damp and mould cases.	15	SRR16	Q3	Housing
	<b>Severe Weather Protocol</b> To provide assurance that the Council is meeting legislative requirements for homelessness cases and applying eligibility criteria correctly.	12	H03	Q3	Housing

Assurance areas	Internal Audit assignments (including assurances sought)	Audit days	Risk ref *1	Initial timing	Directorate lead
	<b>Communities Strategy and Strategic Investment into the Voluntary, Community and Social Enterprise Sector</b> To provide assurance over the application of the new Communities Strategy and VCSE Strategic grants framework, as approved in February 2024.	15	-	Q3	Public Health
	<b>Development management</b> To provide assurance over the consistent and compliant handling of planning applications and to include follow up on actions and advice from Planning Advisory Service.	18	G08	Q3	Place and Economy
	<b>Kettering Library roof project</b> To continue assurance over project management arrangements, following on from initial 2023/24 audit coverage on project management.	15	SRR05	In line with project stages	Public Health
	<b>Private sector housing / empty homes</b> Assurance on progress made with audits of long-term empty homes and how learning can inform future strategy/policy direction including best practice/resources/budgets etc. from other local authorities.	15	R05	Q4	Place and Economy
	<b>Procurement of new waste contracts</b> To provide assurance on the procurement of the major, high value contracts in this area.	12	SRR07 SRR10 H&W09 H&W10	Q4	Place and Economy
<b>Greener sustainable environment</b>	<b>Public Sector Decarbonisation Fund</b> If the Council receives this £3.7m funding, to provide assurance over compliance with terms and ensuring realisation of expected benefits.	15	A16	Q3	Place & Economy
<b>Better. brighter futures</b>	<b>Corporate Parenting</b> To provide assurance over how the Council meets and evidences the fulfilment of its duties as a corporate parent.	15	SRR01	Q1	Children's & Education
	<b>Family Hubs and Start for Life programme</b> To provide assurance over the use of funding received, compliance with terms and realisation of benefits. The Council's total allocation for the Family Hubs and Start for Life programme was £4m over the three financial years of 2022/23, 2023/24 and 2024/25.	15	SRR05	Q1	Children's & Education
	<b>Intelligent Client Function (ICF)</b> To review the operation of the ICF in light of potential reduction in capacity.	12	SRR01	Q2	Children's & Education
	<b>Education capital projects</b> To provide assurance over the effective management of capital projects in schools - to ensure delivery to budget, on time and to expected standards.	15	SRR05	Q3	Children's & Education
	<b>Early years funding claims – follow up</b> To follow up on progress since the 2023/24 audit and in light of changes in funding to be rolled out in 2024/25.	12	Follow up	Q3	Children's & Education



Assurance areas	Internal Audit assignments (including assurances sought)	Audit days	Risk ref *1	Initial timing	Directorate lead
	<b>Schools – thematic review</b> To provide assurance over controls and compliance in schools on a thematic basis. Potential area for 2024/25 to focus on the three-year budget process, including the role of governors.	35	SRR07	Q3	Children's & Education
	<b>High needs block / school place sufficiency</b> High Needs is a high-risk area due to financial pressures. Overspend of £9m forecast for 2023/24. To provide assurances over the financial controls and arrangements for securing value for money in relation to this area of spend. To potentially include within a wider review of school places and consider how this is managed to ensure best outcomes and value for money - including out of county placements, private sector, opportunity for capital investment within existing school sites and engagement of educational psychologists to support students in mainstream placements.	18	SRR07 SRR08	Q3	Children's & Education
	<b>SEND – follow up</b> To follow up on actions arising from the 2023/24 audit and Ofsted findings and provide assurance over robustness of improved controls.	12	C02	Q4	Children's & Education
Active, fulfilled lives	<b>0-19 Public Health contract disaggregation</b> To provide assurance over the process applied to this high-risk project and ensuring that this can serve as a blueprint for future Public Health disaggregation and service commissioning. Key risk areas include engagement with service users/contract providers; communications planning; links with Integrated Care Board. This is a high-risk area and future disaggregation (i.e. drug and alcohol services) should be informed by the approach adopted here.	25	SRR10	Initial engagement in Q1 - initiation stage; further engagement in Q3	Public Health
	<b>Adult Social Care provider failures</b> There has been an exceptional number of provider failures this year. To seek assurance over consistent compliance with the Provider Failure protocol in practice, given the scale of activity. To provide assurance both over the provider management and the support for service users.	15	SRR06 SRR10	Q1	Adults
	<b>Backdated Adult Social Care packages</b> Where an urgent care package is agreed due to emergency circumstances it must then be subject to a care plan, which triggers the brokerage forms, payments and adds the financial commitment to the financial forecasts. In cases where such a package is instigated but not then added to the system this can result in large backdated payments becoming due and a lack of visibility on financial forecasts, until it is identified and then creates financial pressures. To seek assurance that such packages are being loaded onto the Council's systems to ensure accurate financial forecast and informed decision making, and are subject to appropriate review.	15	SRR07 SRR08	Q1	Adults

Assurance areas	Internal Audit assignments (including assurances sought)	Audit days	Risk ref *1	Initial timing	Directorate lead
	<b>External placements in Adults services – follow up</b> To conduct follow up audit on the 2023/24 review of external placements (limited assurance). New structure and procedures now in place.	14	SRR07 SRR08	Q2	Adults
	<b>Readiness for Care Quality Commission (CQC) inspections</b> To provide assurances over preparations to ensure readiness for CQC inspection regimes.	15	SRR06	Q2	Adults
	<b>Safeguarding in transitions</b> To provide assurance over both transitions from child to adult but also between different providers. Linking to CQC Ensuring Safety domain (Theme 3 refers to safe pathways for transitions).	18	SRR06	Q3	Adults
	<b>Adults services transformation plan</b> To provide assurance over how Adults transformation work is being prioritised; ensuring benefits are being realised (including projected savings); and the project approach/discipline that is being applied in practice.	15	SRR18	TBC	Adults
	<b>Replacement Adult Social Care Systems</b> To provide assurance over the processes to replace and roll out key IT systems within adult social care which are due for renewal.	20	SRR10	TBC	Adults
Financial systems	<b>Financial system key controls – lead authority delivery</b> <ul style="list-style-type: none"> <li>• Accounts payable</li> <li>• Accounts receivable</li> <li>• Payroll</li> <li>• Pensions</li> </ul>	45	SRR07 SRR08	Q4	Finance & Performance
	<b>Financial system key controls – in house delivery</b> <ul style="list-style-type: none"> <li>• VAT</li> <li>• Bank reconciliations</li> <li>• Treasury management</li> <li>• Government procurement cards (GPCs)</li> <li>• Local taxation</li> <li>• Housing benefits / Council Tax reduction</li> </ul>	85	SRR07 SRR08	Q3/4	Finance & Performance
<b>Grant claims</b>	To review and certify grant expenditure, as required, during the financial year. To include Supporting Families, Highways etc.	75	-	As required	All
<b>Counter fraud</b>	Pro-active and reactive counter fraud work – including assessment and investigation of referrals; awareness work; policy reviews, NFI data matching and fraud risk assessment work.	150	-	As required	All

Assurance areas	Internal Audit assignments (including assurances sought)	Audit days	Risk ref *1	Initial timing	Directorate lead
Support to Committee and management	Including support and reporting to Audit & Standards Committee, management support and engagement, ad-hoc advice and assistance, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors.	125	-	As required	-
Development of the Internal Audit service	Including self-assessments, quality improvement planning, staff management/training and development and engaging with the Council at a senior level.	100	-	As required	-
Real time rolling risk reviews	To provide real time assurances over the existence of controls, as stated on the Strategic Risk Register.	30	-	As required	All
<b>Total days</b>		1400			

**\*1 Risk reference key:**

SRR – Strategic risk register entry	A – Assets and environment risk entry
LLS – Landlord Services risk register entry	R – Regulatory services risk entry
R&M – Repairs and maintenance risk register entry	C – Children’s and education risk entry
H&W – Highways and waste risk register entry	ASC – Adult social care risk entry
G – Growth and regeneration risk entry	

**Table 2: Reserve list 2024/25**

Audit area	Comments
Adults Services: Oversight of performance and financial information across Adults services	High risk but engagement with other enabling services (i.e. performance team and finance business partners) to support best use of information available.
Adults Services: Quality team / framework	Would provide assurance over this function and the work with providers to ensure quality of services, now this is embedded in practice. Assessed as lower risk than other areas on the plan. To include in audit planning for 2025/26.
Education: Support available to maintained schools	To review the support available to maintained schools from Council services (i.e. finance, legal, HR, health and safety) to support compliance with legal, policy and regulatory requirements. This can be picked up, to an extent, in the annual school audit coverage.
Education: Hosted services - virtual school and sensory impairment	To provide assurance over the management by NNC of these hosted services for both NNC and WNC. To provide assurance over financial probity (i.e. accountability for spending and use for service delivery) and arrangements to secure value for money from this spend. Assessed as lower risk than other areas on the plan. To include in audit planning for 2025/26.
Public Health: Public Health grant usage	To follow up on progress made in relation to actions from the 2023/24 audit. Assessed as lower risk than other areas on the plan. To include in audit planning for 2025/26. To follow up on actions from 2023/24 audit in meantime.
Assets and Environment: Climate change strategy	To provide assurance over the adoption of the strategy and the governance in place to support and monitor delivery. To include in audit planning for 2025/26 – on basis that strategy is yet to be produced.
Regulatory services: Licensing debt	Assurance on Licensing Act debt reconciliation and issues with identifying debt in a timely fashion to allow the service to take action on the licence. Assessed as lower risk than other areas on the plan. To include in audit planning for 2025/26.
Regulatory services: Bereavement services	To provide assurances over this area of income ( >£2m income per annum) to ensure controls are operating effectively to recover monies due and in line with the Council's fees and charging policies. Assessed as lower risk than other areas on the plan. To include in audit planning for 2025/26.
Regulatory services: Building Control	Audit of income receipting and/or debt reconciliation in line with practices/processes. Assessed as lower risk than other areas on the plan. To include in audit planning for 2025/26.
Assets and Environment: Car park income	To provide assurance over controls to ensure full and accurate receipt of monies from machines. Assessed as lower risk than other areas on the plan. To include in audit planning for 2025/26.
Regulatory services: Food Hygiene Rating Scheme (FHSRS)	Auditing of process for recording, uploading and publishing and monitoring of audit scoring outcomes following inspection and their accuracy and timeliness. Assessed as lower risk than other areas on the plan. To include in audit planning for 2025/26.
Corporate Landlord implementation	To provide potential advisory support on the implementation of the corporate landlord model, including organisation of budgets and processes. Assessed as lower value than other areas on the plan. To include in audit planning for 2025/26.
Emergency Planning/Business Continuity Planning	To provide assurances over the Council's business continuity and emergency planning arrangements. Coverage in 2023/24 reduces priority for further audit in 2024/25. To include in audit planning for 2025/26.

Audit area	Comments
Housing: Rent arrears	To provide assurances over the collection of rent arrears. Processes in this area have been reviewed and updated, and assurance is sought that this has delivered expected benefits. To include former tenant arrears. Assessed as lower value than other areas on the plan. To include in audit planning for 2025/26.
Customer Services: CRM project	To provide assurance over project management and value for money arrangements, including consultancy spend on system development. Two more roll outs - Corby in Spring 2024 and Kettering in Autumn 2024. Assessed as lower value than other areas on the plan. To include in audit planning for 2025/26.
IT: IT governance	Following on from the IT strategy audit in 2023/24, to provide assurance over the governance arrangements in place to implement this strategy and resourcing of IT related projects/programmes - including the role of the Digital Portfolio Board. Assessed as lower value than other areas on the plan. To include in audit planning for 2025/26.
Performance, Intelligence and Partnerships: Significant partnerships	To provide assurance over the implementation of the new partnership governance framework and management of significant partnership to ensure assurances are obtained and performance is monitored effectively. Assessed as lower value than other areas on the plan. To include in audit planning for 2025/26.

This page is intentionally left blank

## Audit and Governance Committee 15<sup>th</sup> April 2024

<b>Report Title</b>	<b>Internal Audit Charter and Strategy</b>
<b>Report Author</b>	<b>Rachel Ashley-Caunt, Chief Internal Auditor</b>

### List of Appendices

#### Appendix 1: Internal Audit Charter and Strategy

##### 1. Purpose of Report

---

- 1.1. To seek the Committee's annual approval of the Internal Audit Charter and Strategy.

##### 2. Executive Summary

---

- 2.1 The Internal Audit Charter and Strategy should be subject to annual review and approval by the Audit and Governance Committee. This is brought for the Committee's approval to set out how the Internal Audit team will deliver the 2024/25 plan and ensure that Internal Audit has the unfettered access to systems, documentation and personnel it requires to deliver this work.

##### 3. Recommendations

---

- 3.1 It is recommended that the Committee:
- a) Approves the Internal Audit Charter and Strategy as provided in Appendix 1.
- 3.2 Reason for Recommendations –
- For the Committee to exercise its duties and responsibilities within its Terms of Reference for overseeing the work of Internal Audit and the requirements of the Public Sector Internal Audit Standards.

##### 4. Report Background

---

- 4.1 The role of Internal Audit is to provide the Audit and Governance Committee, and management, with independent assurance on the effectiveness of the Council's governance, risk management and internal control environment.
- 4.2 The purpose of this Internal Audit Charter is to define Internal Audit's purpose, authority and responsibility. It establishes the position of Internal Audit's activity

within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of Internal Audit activities.

- 4.3 The Internal Audit Charter and Strategy is subject to annual approval by the Audit Committee. Since the Committee last approved the Charter and Strategy in April 2023, the content and format has been fully reviewed and the content remains consistently aligned with the Public Sector Internal Audit Standards (PSIAS) and the elements agreed at the last annual review. No amendments are proposed for 2024.

## **5. Issues and Choices**

---

- 5.1 The report provides the Committee with the Internal Audit Charter and Strategy for formal review and approval.

## **6. Implications (including financial implications)**

---

### **6.1 Resources and Financial**

- 6.1.1 None specific to this report.

### **6.2 Legal**

- 6.2.1 None specific to this report.

### **6.3 Risk**

- 6.3.1 None specific to this report.

### **6.4 Consultation**

- 6.4.1 None specific to this report.

### **6.5 Consideration by Scrutiny**

- 6.5.1 Not required on this occasion.

### **6.6 Climate Impact**

- 6.6.1 None specific to this report.

### **6.7 Community Impact**

- 6.7.1 None specific to this report.

## **7. Background Papers**

---

- 7.1 None.





Internal Audit  
Charter & Strategy

## Executive summary

The Internal Audit Charter defines the purpose, authority and responsibility of North Northamptonshire Council's Internal Audit service. It establishes the scope of the Internal Audit service and outlines how the service complies with statutory requirements and professional standards.

The key principles of North Northamptonshire Council's Internal Audit service are as follows:

- Internal Audit provides an Annual Internal Audit Opinion based on an objective and comprehensive assessment of the Council's framework of governance, risk management and control.
- Internal Audit provides advice and consultancy services with the aim of adding value and improving organisational governance, risk management and control.
- All Council activities fall within the scope of Internal Audit, and the Internal Audit service has a complete right of access to all records and property held by North Northamptonshire Council and to all officers of the Council.
- Assurances over responsibility for statutory functions delivered by partners/contractors will be sought via agreed arrangements. Where Internal Audit has rights of access, such activity may be included in the audit plan.
- Internal Audit operates in compliance with Public Sector Internal Audit Standards (PSIAS) and the Chartered Institute of Internal Auditors' Code of Ethics.
- Internal Audit is independent and, as required, may report directly to the Chief Executive and the Chair of the Audit and Governance Committee. Regular reporting on audit activity is provided to the Section 151 Officer, Corporate Leadership Team and the Audit and Governance Committee.
- The Internal Audit team consists of qualified and part-qualified professionals in assurance and accounting. The service is committed to professional development and continuous quality assurance and improvement.
- Internal Audit staff have a professional duty to operate in an ethical way; be honest; and demonstrate integrity at all times, working in line with the Council's Code of Conduct.
- The Internal Audit Charter is regularly reviewed and approved annually by the Audit and Governance Committee and senior management.

## 1 PURPOSE, MISSION STATEMENT AND DEFINITION

### **Purpose of the Charter and Strategy**

- 1.1 The purpose of this Internal Audit Charter is to define Internal Audit's purpose, authority and responsibility. It establishes Internal Audit activity's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of Internal Audit activities. The Charter and Strategy should enable Internal Audit to deliver a modern and effective service that:
- Meets the requirements of the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations;
  - Ensures effective audit coverage and a mechanism to provide independent and objective overall assurance, in particular to Councillors and management;
  - Provides an independent annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment;
  - Identifies the highest risk areas of the Council and allocates available Internal Audit resources accordingly;
  - Adds value and supports senior management in providing effective control and identifying opportunities for improving value for money; and
  - Supports the Section 151 officer in maintaining prudent financial stewardship for the Council

### **Internal Audit Mission Statement**

- 1.2 The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

### **Definition of Internal Audit**

- 1.3 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 2 CONTEXT

- 2.1 The Council's Internal Audit service is delivered by an in-house team, led by the Chief Internal Auditor. The allocation of resources and use of external contractors to deliver any aspects of the service will be determined by the Chief Internal Auditor, and all resources will be required to comply with the Internal Audit Charter in the delivery of audit work.
- 2.2 The core governance context for Internal Audit is summarised as follows:

**The Accounts and Audit Regulations (2015)** set out that:

A relevant authority must ensure that it has a sound system of internal control which—

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

And that:

A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

A relevant authority must, each financial year—

conduct a review of the effectiveness of the system of internal control required by regulation 3; and prepare an annual governance statement.

**The Public Sector Internal Audit Standards (PSIAS)** issued in 2017 include the need for risk-based plans to be developed for Internal Audit and to receive input from management and the 'Board' (usually discharged by the Council's Audit Committee). The work of Internal Audit therefore derives directly from these responsibilities, including:

PSIAS 2010 - "The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."

PSIAS 2450 – "The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control".

2.3 The following definitions have been applied to the PSIAS terminology throughout this document:

Terminology	Definition for North Northamptonshire Council
'Board', as per PSIAS	The Audit and Governance Committee
'Chief Audit Executive', as per PSIAS	The Chief Internal Auditor
'Senior management'	Corporate Leadership Team
'Assurance services'	An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the Council. Examples include financial, performance, compliance, system security and due diligence.
'Consultancy services'	Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisations governance, risk management and control processes without the Internal Auditor assuming management responsibility. Such examples would include advice, facilitation and training.

### 3 STRATEGY

- 3.1 Internal Audit will provide the public, councillors and Council officers with confidence that Council operations are properly governed and controlled, risks are effectively managed and service delivery meets customer need. Where confidence is not possible the service will ensure that the implications and risks are understood to ensure proportionate action is taken. Internal Audit will be responsive to the Council's needs and the risks to which the Council is exposed.
- 3.2 Internal Audit is not responsible for the control systems that it audits. Responsibility for effective internal control rests with the management / executive of the Council. Directors and Heads of Service are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services and achieve approved objectives / policy.
- 3.3 Internal Audit will provide a robust, high quality audit service that delivers honest, evidenced assurance, by:
- **Focusing on what is important**  
Deploying its resources where there is most value aligned to the Council's Corporate Plan<sup>1</sup> priorities, the processes to facilitate these and the key risks to their achievement, whilst ensuring sufficient assurance to support the Annual Governance Statement.
  - **Being flexible and responsive to the needs of the Council**  
The Annual Plan will be reviewed at least quarterly enabling Audit resources to be redeployed as new risks emerge, with the agreement of senior management and the board
  - **Being outward looking and forward focused**  
The service will be aware of national and local developments and of their potential impact on the Council's governance, risk management and control arrangements.
  - **Providing assurance**  
There is value in providing assurance to senior managers and Members that the arrangements they put in place are working effectively, and in helping managers to improve the systems and processes for which they are responsible.
  - **Balancing independent support and challenge**  
Avoiding a tone which seeks to attribute blame and instead being resolute in challenging for the wider benefit of the Council and residents.
  - **Having impact**  
Delivering work which has buy-in and which leads to sustained change.
  - **Strengthening the governance of the Council**  
Being ambassadors for, and encouraging the Council towards, best practice to maximise the chances of achieving its objectives, including the provision of consultancy and advice.
  - **Enjoying a positive relationship with and being welcomed by the 'top table'**  
Identifying and sharing organisational issues and themes that are recognised and taken on board. Working constructively with management to support new developments.

---

<sup>1</sup> <https://www.northnorthants.gov.uk/corporate-plan>

- 3.4 The Internal Audit Service maintains an ongoing and comprehensive understanding of:
- Local Government / Public Sector issues;
  - The Council and its community; and
  - Professional Audit and Corporate Governance standards.
- 3.5 All staff within the Internal Audit service should hold a relevant professional qualification, part qualification or are actively studying towards a relevant qualification. Staff also participate in continuing professional development, both in relation to specific audit skills e.g. contract audit, and softer skills e.g. communication skills.
- 3.6 The mandatory core principles for the Professional Practice of Internal Auditing underpin the way in which the service is delivered and are embedded in ways of working, as detailed in this Charter. The principles ensure Internal Audit:
- Demonstrates integrity;
  - Demonstrates competence and due professional care;
  - Is objective and free from undue influence (independent);
  - Aligns with the strategies, objectives, and risks of the organisation;
  - Is appropriately positioned and adequately resourced;
  - Demonstrates quality and continuous improvement;
  - Communicates effectively;
  - Provides risk-based assurance;
  - Is insightful, proactive, and future-focused; and
  - Promotes organisational improvement.

## 4 AUTHORITY

- 4.1 In accordance with the PSIAS, the Chief Internal Auditor has full responsibility for the operation and delivery of the Internal Audit function including the production and execution of the audit plan and subsequent audit activities. The annual audit plan will be agreed in consultation with relevant officers, the Audit and Governance Committee, and the senior management team.
- 4.2 Internal Audit's remit extends across the entire control environment of the Council.
- 4.3 Internal Audit has unrestricted access to all Council records and information (whether manual or computerised systems), officers, cash, stores and other property, it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers without prior notice if necessary. This unrestricted access also applies to partners and contractors, where provided for in contractual arrangements. Where access is restricted, this will constitute a restriction of scope and a specific assessment will be undertaken of the adequacy of assurance. This will be reported to the Audit and Governance Committee in accordance with paragraph 4.6 below.
- 4.4 All Council contracts and partnerships shall contain similar provision for Internal Audit to access records pertaining to the Council's business held by contractors or partners. The frequency of such reviews would be subject to risk assessment and prioritisation in annual audit planning.
- 4.5 All employees are required to assist the Internal Audit activity in fulfilling its roles and responsibilities.
- 4.6 The Audit and Governance Committee (as the Board) shall be informed of any restriction unduly placed on the scope of Internal Audit's activities which, in the opinion of the Chief Internal Auditor, prevents the proper discharge of Internal Audit functions.
- 4.7 The Chief Internal Auditor and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.
- 4.8 To provide for independence, the day-to-day management of the Internal Audit Service is undertaken by the Chief Internal Auditor who reports to the Audit and Governance Committee. This accords with the Public Sector Internal Audit Standards which requires the Chief Internal Auditor to report to the top of the organisation.
- 4.9 The Chief Internal Auditor has direct and unrestricted access to the Council's Chief Executive, Section 151 Officer, Directors, External Audit and Audit and Governance Committee at their discretion, including private meetings with the Chair and Vice-Chair of the Audit and Governance Committee.



## 5 ETHICS, INDEPENDENCE & OBJECTIVITY

- 5.1 Independence is essential to the effectiveness of the Internal Audit service; so it will remain free from interference in all regards. This shall include, but not be limited to, matters of audit selection, scope, procedure, frequency, timing, sample selection or report content.
- 5.2 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 5.3 The Chief Internal Auditor's role includes providing Risk Management support. Responsibility for implementing risk management activity is retained by the relevant officers at the Council, and the role of Internal Audit is to provide advice, support and facilitation for this process rather than to undertake risk management activity directly. Internal Audit reviews of risk management focus on actual risk management activity undertaken by management, not the facilitation work of the Internal Audit team, thus avoiding potential conflicts of interest. This helps to ensure that there is no impairment to Internal Audit's independence and objectivity, and that Internal Auditors have a high degree of familiarity with the principles of risk management within the organisation to inform their assurance work.
- 5.4 The Internal Audit service also lead on corporate counter fraud work for the Council. Internal Audit lead on investigating whistleblowing referrals relating to fraud, corruption and financial impropriety.
- 5.5 In addition to the ethical requirements of the various professional bodies, each auditor is required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest and declare any potential conflict on allocation of an audit. Any potential impairments to independence or objectivity will be declared prior to accepting any work.
- 5.6 Internal Auditors also sign acceptance of the Internal Auditor's Code of Ethics on an annual basis.
- 5.7 Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, 'approve' procedures, install systems, prepare records, or engage in any other activity that may impair the Internal Auditor's judgment. Where auditors have previously been involved in any of these activities or consultancy work they will be prohibited from auditing those areas for at least two years. Where appropriate, audits are rotated within the team to avoid over-familiarity and complacency.
- 5.8 The Chief Internal Auditor will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the Internal Audit service. This assurance will be provided in the Annual Audit Report, for example, by confirming that no members of the audit team have audited areas where they have a conflict of interest and the audit team are not responsible for designing or implementing controls in the areas tested.

## 6 HOW THE SERVICE WILL BE DELIVERED

### Audit Planning

6.1 The audit plan guides the work of the service during the year. The planning principles are:

- Focusing assurance effort on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage therefore at both strategic and key operational aspects;
- Maintaining up to date awareness of the impact of the external and internal environment on control arrangements;
- Using a risk assessment methodology to determine priorities for audit coverage based as far as possible on management's view of risk in conjunction with other intelligence sources e.g. corporate risk register, audit risk scores;
- Taking account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising in a resource constrained environment there will be situations when not all needs can be met which is where risk management is key;
- Being flexible so that the plan evolves through the year in response to emerging risks and issues;
- Providing for the delivery of key commitments, such as work done in support of the External Auditor thus reducing the external audit fee, and to deliver governance and counter fraud responsibilities; and
- Including provision for responding to requests for assistance with special investigations, consultancy and other forms of advice.

6.2 The number of available audit days to the Internal Audit Service will be reviewed to be sufficient to enable the audit service to deliver the risk-based plan in accordance with professional standards. This takes into account the fact that additional resource will be procured as and when necessary e.g. for technical IT audits, when significant resource is diverted through unplanned work. The focus on the high-risk areas will reduce the overall coverage required.

6.3 To deliver the Annual Audit Plan at the required quality and professionalism, Internal Audit strive to ensure that the team has the required mix of skills and experience. The use of external experts e.g. IT auditors compared to employing or developing these expensive resources in house is constantly under review to ensure that the service delivers a high quality product at best value for money. Future recruitment will take into account the expertise and skills required to fill any gaps within the current service.

6.4 The breadth of coverage within the plan necessitates a wide range of high-quality audit skills. The types of audit work undertaken include:

- Risk based system audit
- Compliance audit
- IT audit
- Procurement and contract management audit
- Project and programme audits
- Fraud/investigation work
- Consultancy and advice

6.5 Internal Audit can procure external audit resource to enhance the service provision as necessary. This may include co-source arrangements with professional firms that provide internal audit services.

### **Internal Audit Annual Opinion**

6.6 Each year the Chief Internal Auditor will provide a publicly reported opinion on the effectiveness of governance, risk and control, which also informs the Annual Governance Statement. This will be supported by reliable and relevant evidence gathered through all work undertaken by Internal Audit during the year.

### **Conduct of work**

6.7 The principles of how the Internal Audit work is conducted are:

- Focusing on what is important to the Council and in the ultimate interests of the public;
- Ensuring that risks identified in planning are followed through into audit work;
- Agreeing the scope, objectives and any limitations of audit coverage at the outset of every assignment, which will be documented in an audit planning record. This record will be approved by the relevant Assistant Director or above, and will set out the risks which will be covered within the audit fieldwork;
- Ensuring that the right skills and right approaches are in place for individual assignments;
- Applying an informed, unbiased approach to sample selection and audit testing;
- Striving continuously to foster buy-in and engagement with the audit process;
- Ensuring findings and facts reported are accurate and informed by a wide evidence base, including requesting information from other stakeholders where appropriate;
- Informing management of key findings at the earliest, appropriate opportunity;
- Suggesting actions to address findings which are pragmatic and proportionate to risk, tailored for the best result and take into account the culture, constraints and the cost of controls;
- Focusing, as a rule, on ensuring compliance with existing/expected processes and systems and reducing bureaucracy rather than introducing additional, unnecessary layers of control;
- Being resolute in challenging; taking account of views, escalating issues and holding position when appropriate;
- Driving the audit process by agreeing, and delivering to, deadlines and escalating non-response promptly to complete assignments; and
- Maintaining high standards of behaviour at all times and operating in line with the Council's Code of Conduct and Equality and Diversity policies.

### **Reporting**

6.8 The reports produced by the service are its key output. The reporting principles are:

- Providing balanced evidence-based reports which recognise both good practice and areas of weakness;
- Reporting in a timely, brief, clear and professional manner. It is anticipated that a draft report would be issued within 10 working days of a clearance meeting;
- Ensuring that reports clearly set out assurance opinions on the objectives/risks

identified in planning work;

- Always seeking management's response to reports so that the final report includes, whenever possible, a commitment to action;
- Sharing reports with senior management and Members, identifying key themes and potential future risks so that audit work has impact at the highest levels; and
- Sharing learning, where appropriate, with the wider organisation with a view to encouraging best practice across the Council.

6.9 A written report will be prepared and issued following the conclusion of each Internal Audit engagement, including follow up audits which test that recommendations are being implemented; unless in the opinion of the Chief Internal Auditor a written report is unnecessary. A summary of this will be reported to the Audit & Governance Committee.

6.10 Each report will:

- identify any restriction on the scope of the audit;
- provide an evidenced opinion on the adequacy of the governance, risk and control processes;
- identify inadequately addressed risks and non-effective control processes;
- detail agreed actions including explanation for any corrective action that will not be implemented;
- provide management's response and timescale for corrective action;
- provide management's explanations for any risks that will not be addressed; and
- identify individuals responsible for implementing agreed actions.

6.11 Each draft audit report will be issued to the lead officer and service management/Head of Service for initial comments, responses to recommendations and agreement of accuracy. A final draft will be issued to the Assistant Director for agreement and sign off. Where the report gives an opinion of Limited Assurance (as defined within Annex A) or lower, the report will be sent to the relevant Director for sign off, being finalising. A copy of each final audit report is also sent to the Section 151 Officer. Alternative reporting arrangements can be agreed to incorporate specific officers and/or additional senior management leads, as appropriate, where agreed in the scoping of the audit and audit planning record.

6.12 Senior Management shall ensure that agreed corrective actions are introduced.

6.13 Periodic summary reports are issued to the Audit and Governance Committee. Senior management (Director and/or Assistant Director) from the respective service area will be invited to attend the Audit and Governance Committee meeting in respect of any reports receiving an opinion of Limited Assurance or below.

6.14 To assist the manager/reader in easily identifying the areas that are well managed and the significant of areas of concern, actions, objectives and overall assurance opinions are categorised using three key elements as summarised below (and set out in detail at Annex A):

- 1) Assess and test the **control environment**;
- 2) Test **compliance** with those control systems; and
- 3) Assess the **organisational impact** of the matters arising.

## Actions / Recommendations

6.15 Actions are categorised dependent on the risk as follows:

Category	Definition
High	Action is imperative to ensure that the objectives for the area under review are met
Medium	Requires actions to avoid exposure to significant risks in achieving objectives for the area
Low	Action recommended to enhance control or improve operational efficiency

### Follow up

6.16 All High and Medium actions are followed up in accordance with the agreed action implementation dates. Further follow ups are undertaken as required. Management are required to provide evidence when an action has been fully implemented.

### Quality Assurance

6.17 The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards (PSIAS);
- Professional standards and Code of Ethics required by auditor's respective professional bodies;
- Internal Audit Strategy, Charter and Audit Manual; and
- All relevant legislation.

6.18 The Chief Internal Auditor maintains an appropriate Quality Assurance Framework and reports on this annually. The framework includes:

- An audit manual documenting methods of working
- Supervision and review arrangements
- Customer feedback arrangements
- Quality Standards
- Annual Internal review
- Periodic external reviews
- Performance measures, including:
  - Proportion of audit plan completed
  - Productive/direct time as a % of total time
  - Customer satisfaction levels

6.19 The completion of every assignment shall be monitored against:

- end to end time

- days taken to complete
- time between key audit stages e.g. draft issue to final report issue
- customer satisfaction

6.20 The Audit and Governance Committee, senior management and the Section 151 Officer receive regular updates on audits completed, the assurance opinions and actions implemented. Weak and limited opinion reports and key actions not implemented are discussed in more detail as appropriate with management, the Section 151 Officer and / or the Audit and Governance Committee.

6.21 Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of its activity. This consists of:

- ongoing performance monitoring;
- an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards (PSIAS);
- an external assessment at least once every five years by a suitably qualified, independent assessor;
- a programme of Continuous Professional Development (CPD) for all staff to ensure that auditors maintain and enhance their knowledge, skills and audit competencies;
- the Chief Internal Auditor holding a professional qualification (current Chief Internal Auditor is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA)) and being suitably experienced; and
- encouraging, and where appropriate acting upon, customer feedback.

## **7 AUDIT AND GOVERNANCE COMMITTEE OVERSIGHT**

- 7.1 The Chief Internal Auditor will provide regular update reports to the Audit and Governance Committee to advise on the progress in completing the audit plan, the outcomes of each Internal Audit engagement, and any significant risk exposures and control issues identified during audit work. The report will identify if there is any significant risk of the Internal Audit Plan not being achieved or insufficient audit coverage to deliver the Internal Audit Annual Opinion.
- 7.2 The Chief Internal Auditor will also provide an annual report giving an opinion on the overall adequacy and effectiveness of the control environment which will be timed to support the Council's Annual Governance Statement. In addition, the Audit and Governance Committee will:
- approve any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken;
  - approve and suggest, but not direct, changes to the audit plan;
  - be informed of results from the quality assurance and improvement programme; and
  - be informed of any instances of non-conformance with the Public Sector Internal Audit Standards.

## **8 COUNTER FRAUD AND ASSOCIATED ISSUES**

- 8.1 The Chief Internal Auditor will ensure that all work is undertaken in accordance with, and all staff are conversant with, the Council's Counter Fraud policies and culture, including:
- Anti-Fraud and Corruption policy
  - Whistleblowing policy
  - Anti-Money Laundering Policy
- 8.2 All Internal Audit staff will be alert to possibility of fraud during assignments, but auditors are not responsible for identifying fraud.

**INTERNAL CONTROL ASSESSMENT**

<b>Control Environment Assurance</b>	
<b>Level</b>	<b>Definitions</b>
Substantial	There is a sound system of internal control to support delivery of the objectives.
Good	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.
Moderate	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.
Limited	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.
No Assurance	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.

<b>Compliance Assurance</b>	
<b>Level</b>	<b>Definitions</b>
Substantial	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
Good	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
Moderate	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
Limited	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
No Assurance	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.

<b>Organisational Impact</b>	
<b>Level</b>	<b>Definitions</b>
High	The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.
Medium	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.
Low	The weaknesses identified during the review have left the Council open to low risk. This may have a low impact on the organisation as a whole.



## Audit and Governance Committee 15<sup>th</sup> April 2024

Report Title	Strategic Risk Register update
Report Author	Rachel Ashley-Caunt, Chief Internal Auditor

### List of Appendices

**Appendix 1: Strategic Risk Register**

**Appendix 2: Risk heat map**

**Appendix 3: Risk scoring methodology**

#### **1. Purpose of Report**

---

1.1 To provide the committee with a quarterly update on the Council's Strategic Risk Register entries.

#### **2. Executive Summary**

---

2.1 The Council's Risk Management Strategy defines the Council's risk management approach and the practices required to make it work. Quarterly updates on the Strategic Risk Register are provided for the Audit & Governance Committee.

2.2 An updated register is provided for the Committee's consideration. The content has been reviewed by the Corporate Leadership Team, informed and supported by regular review of all directorate level risk registers.

#### **3. Recommendations**

---

3.1 It is recommended that the Committee:

a) Note the risk management update.

3.2 Reason for Recommendations –

- For the Committee to exercise its duties and responsibilities within its Terms of Reference and provide independent assurance of the adequacy of the risk management framework and the associated control environment.

#### **4. Report Background**

---

- 4.1 The Strategic Risk Register details the strategic risks faced by the Council in relation to achieving its corporate priorities. The Register also notes the current mitigation action being taken to control these risks and reflects the current, residual risk score.
- 4.2 The content of the Strategic Risk Register entries has been reviewed and updated by Corporate Leadership Team and a copy is provided for the Committee’s information, as Appendix A to this report. The amendments made to the risk entries since the last report to Audit and Governance Committee are summarised in Table 1.
- 4.3 It should be noted that whilst Internal Audit assist with the facilitation of risk management, CLT are responsible for defining all risk entries and scoring, and applying the Risk Management Policy and Strategy.

Table 1: Updates to Strategic Risk Register entries (scores or new/removed risks)

Risk entry	Update
Risk 8 The Council is forecasting an in year overspend on the General Fund of £11m as at Period 10. The DSG is forecasting an overspend of £9m at Period 10.	Risk description amended to reflect the extent of the forecast financial pressures for 2023/24.
Risk 19 Pay and Grading resources and expertise	Inherent score reduced from 16 to 12 due to reduced likelihood given the progress made with the Pay and Grading project.

- 4.4 The risk entry narratives have also been reviewed and updated, as appropriate.
- 4.5 To assist in informing the review of the risk register, a summary has also been provided in Appendix 2 to this report, in the form of a heat map, showing the current scores in relation to the risk framework.
- 4.6 A copy of the risk scoring methodology is provided as Appendix 3 to this report, for the Committee’s information in reviewing the register. This is an extract from the Council’s Risk Management Strategy.

**5. Issues and Choices**

- 5.1 The report provides an update on the Strategic Risk Register. The Committee has the opportunity to review the entries and scoring within the register and

obtain assurance that this suitably reflects the risk environment and the risk management process is effective.

## **6. Implications (including financial implications)**

---

### **6.1 Resources and Financial**

6.1.1 None specific to this report.

### **6.2 Legal**

6.2.1 None specific to this report.

### **6.3 Risk**

6.3.1 The maintenance of an effective risk management framework is crucial to managing risk effectively. The Strategic Risk Register is a key part of that framework. The report itself does not give rise to any specific risks for consideration.

### **6.4 Consultation**

6.4.1 None specific to this report.

### **6.5 Consideration by Scrutiny**

6.5.1 Not required on this occasion.

### **6.6 Climate Impact**

6.6.1 None specific to this report.

### **6.7 Community Impact**

6.7.1 None specific to this report.

## **7. Background Papers**

---

7.1 None.

This page is intentionally left blank

Inherent Risk								Residual Risk					Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key controls	Sources of assurance over controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
1	Children's Trust fails to deliver to the agreed standards / failure of the Intelligent Client Function (ICF).	NCT does not meet its requirements in the improvement plan.  The ICF fails to identify and address areas for improvement of NCT's performance.	Risks to child safeguarding.  Poor quality of service and outcomes for service users.  Financial risks to the Council.	Exec Director of Children's Services	5	4	20	The Intelligent Client Function (ICF) is in place with clear governance arrangements set out in the contract including monitoring of performance and financial plans via the Operational Group and Strategic Groups. Ofsted complete inspection visits as per there inspection framework and provide independent performance feedback at regular intervals. The Childrens Trust has an Improvement Plan, linked to its Ofsted inspection performance, which is overseen by a Social Care Improvement Board led by a DfE appointed Independent Chair.	Ofsted complete regular Monitoring Visits and Thematic Inspections between main inspections as a means to assess the progress on the Trusts improvement journey. Where performance drops below agreed levels the Council via the ICF undertakes additional assurance activity including deep dive reviews, production of additional time limited action plans or contract notices to improve performance. Internal Audit of ICF May 2023: Satisfactory Assurance - with action plan in place to prioritise areas for improvement. A Joint Officer Board and Joint Committee is also in place to oversee arrangements managing the Childrens Trust including matters pertaining to the Councils ownership of the Trust. A monthly Lead Member/Director of Children's Service Assurance Meeting takes place in order to ensure the Childrens Trust is held to account on its delivery of quality services to children and families in North Northamptonshire. The delivery of the Circle to Success programme through 23/24 has led to improved outcomes for children including being cared for in family based settings as well as cashable savings of £2.9m at P11. The programme will continue into 24/25 with an upwards trajectory of qualitative and financial benefits. A Transformation & Efficiency Board, jointly chair by NNC and WNC Chief Executives, was established in November 23 to oversee activity to transform NCT's services, deliver improvements to quality, better outcomes for children and financial sustainability.	3	4	12	A joint review of the ICF with WNC has taken place. An Inter Authority Agreement between NNC and WNC to formalise partnership working and management on all matters relating to the Childrens Trust, including the functions of the ICF, is being developed for implementation in Q1 of 24/25. Following this recruitment to vacant posts to replace agency staff will take place.	Assistant Director of Commissioning/ Director of Lw and Governance	Jun-24	
2	Failure of corporate governance/meeting statutory requirements/ poor decision making.	Lack of awareness of decision making and legislative requirements. Continuation of processes from predecessor authorities which are no longer in place. Culture of good corporate governance not permeated through organisation. Lack of legal support and updates on legislative changes. Strong governance processes not yet implemented for all matters.	Failure to ensure best value. Breach of legislation which increases risk of legal challenge. Unlawful decisions made.	Director of Law and Governance	4	5	20	Decision making training undertaken and resources available on intranet. Stabilised legal and democratic service to provide proactive advice. Implementation of processes and procedures to support a good corporate culture. Legal support being proactive and engrained in services. Governance processes continuing to be implemented. Consideration and implementation of Oflog Best value Guidance.	Records of decision, Forward Plan, increased advice from legal and democratic services. Audits of service. Policies and Procedures.	3	4	12	A programme of training and engagement for all staff will be implemented. The governance toolkit is being updated to provide easier access to officers and to strengthen understanding of process. Full training programme to be rolled out for all staff at all levels. The training has been delivered to the managers network and CLN and will now be incorporated as part of the corporate induction. This is complete and moves to BAU.	Director of Law and Governance	Ongoing	
3	Loss of data or systems due to cyber attack	Failure of preventative and detective controls leads to successful attack on Council systems.	Disruption to service delivery.  Reputational damage and loss of customer confidence.  Financial loss, penalties and fines.	Assistant Chief Executive												

4	Disruption to service delivery and community due to unplanned incident or emergency	Lack of adequately resourced, experienced staff to fulfil BC roles.  Lack of understanding of BC processes by Service Areas.  Failure to address critical BC issues.  Lack of completed BC plans to support with an internal disruptive event.  Inadequate Emergency Planning arrangements arising from insufficient EP capacity and/or a lack of organisational engagement.  Incident of scale that is beyond proportionate mitigation activity	Failure to deliver timely and effective BC Work Programme. BC arrangements not in place.  Ineffective response to a BC incident.  Low levels of resilience exacerbating impacts.  Public harm, financial losses, reputational damage, legal failures, fines, service failure, staff absence.  Poor response to incidents and emergencies leading to loss of life, serious public harm, serious economic harm, serious environmental harm, increased financial losses, failure of critical functions, significant reputational damage, legal failures and penalties	Exec Director of Place & Economy	5	4	20	Workforce planning;  Training plans;  Effectively managed BC programme;  Adequate investment to address critical resilience issues;  Defined, established and rehearsed emergency management processes.  Key contractors are required to outline BC arrangements as part of the contract procedures rules	NNC has adopted a new Incident and Emergency Plan in March 2024. NNC maintains Gold and Silver officer rota to ensure coverage for key command roles. Strategic and Tactical Emergency Management Training was delivered by the Emergency Planning College in July 2022  These arrangements have been validated by incidents in the last 12 months. Where lessons were identified, action is underway to address these issues  NNC has an established BC steering group to coordinate and oversee the development of BC arrangements across the organisation.  NNC exercised its Incident and Emergency Plan in October 23. this also tested service level BC plans. A debrief report and action plan was provided to and agreed by the BC steering group and by CLT in March 2024.	3	4	12	Work is ongoing to procure further training for key command roles (strategic and tactical) for 2024, following the adoption of a new Incident and Emergency Plan.  Ongoing delivery of the BC work programme under direction of BC steering group.  Continued roll out of BC assessment tool and plans template and review post BC lantern exercise and provision of support to services in completion  Complete Debrief Actions from Exercise Lantern and further Exercises are planned - Ex Robin in May 2024 and Exercise Static in Q4 24/25.  Self-assessment of NNC against BC ISO Standards has been completed. Action plan is being created to address findings.	Head of Emergency Planning	Mar-25	
5	Failure of capital and revenue projects to deliver upon intended benefits, within budget and planned timeframes.	Multiple causes including inflationary impact, cost of borrowing, lack of resources, lack of pace, poor scoping of activities, outcomes and benefits, time slippage, budget or scope creep, change of legislative or original priorities. external factors taking priority.	Failure to deliver timely and effective projects. Financial penalties. Reputational damage. Legal implications. Service failure. Customer/community impact.	Exec Director of Finance & Performance	4	4	16	Defined governance programme in place including: Place Capital Programme Board; Strategic Capital Board. There will be corporate governance under the remit of the constitution and Senior Responsible Officer with scheme of delegation, CLT; Member Transformation Board (where appropriate). Reporting into Service Delivery EAPs (where appropriate).  Quarterly Capital and Monthly Revenue Reports to Executive and the following Finance and Resources Scrutiny.  Individual Project Boards established for relevant projects.  Capital Update report on new/changing projects to Executive each month.	Internal Audit of Arrangements and recommendations - 2023  Process for approval of capital projects reviewed by Finance and Resources Scrutiny Committee.	3	4	12	Scrutiny of programme progress at established Boards and ad-hoc e.g. project/programme audits by Transf. Team or Internal Audit.  Capital challenge sessions as part of budget setting and to include re-alignment of budget over future years. Further capital challenge to take place during 2024/25  Actions from Project Management Audit 2023: Performance / PMO role established to monitor project progress and risks - to be recruited to.  Introduce project management framework with template documents, including Outline Business Case, benefits realisation template and process, standard template for reporting to Capital Boards.  Introduce process for reporting high level progress to Strategic Capital Board.	Executive Director of Finance and Performance/ CLT Owner	Ongoing  30 April 2024	
6	Failure to safeguard vulnerable adults.	Failure to meet statutory requirements under the Care Act. The Care Act 2014 sets out that the local authority must act when it has reasonable cause to suspect that an adult in its area has needs for care and support or is experiencing or at risk of abuse or neglect.	An adult is harmed due to failure to exercise safeguarding duties.  Financial implications.  Reputational damage. Failure to meet areas of importance. Continue to neglect individuals' wellbeing. Poor outcome for people.	Exec Director of Adults, Health Partnerships & Housing	4	5	20	Monthly safeguarding quality assurance audit process NSAB Delivery Board Review and continuous improvement of adult safeguarding processes and procedures NSAB Performance Dashboard KPI data reporting on ASC Safeguarding Effective delivery and monitoring of internal safeguarding training for ASC staff Quality Assurance Board with Commissioning Implementation and ongoing review of the NNC Practice Framework	Safeguarding audits by Team Manager Safeguarding & Quality. Safeguarding audits by Team Managers and Principal Social Workers from April 23. Implementing actions for improvement identified in internal audit reports.  Internal Audit of Adult Safeguarding referrals 2021/22 - satisfactory assurance  Internal Audit of DoLS 2022/23 - satisfactory assurance.	3	4	12	Workstream on safeguarding to be reviewed in relation to safeguarding processes and procedures  KPI data reporting on safeguarding to be reviewed  ASC training matrix will be provided to L&D team to input all mandatory safeguarding training onto the iLearn system  A review of the Terms of Reference for the Quality Assurance Board to be completed to reflect the extension of the membership of the board to external partners and providers.  Updated guidance on safeguarding process written – process map and updated Eclipse Guidance to be added.  Notification of concern guidance written. Large Scale Investigation guidance being written.  CQC Ensuring Safety - joint training with Health on statutory responsibilities including performance, other stakeholder	ED and ADs - Adult Social Care	Ongoing	

7	Unsustainable finances (medium term from 2024/25)	The position for 2024/25 is now balanced, however, cost and demand increases remain challenging and the position from 2025/26 onwards continues to be uncertain. There remains risks from continuing LGR/transformation related changes as services are disaggregated and/or reformed as well as the Government review of funding for Local Authorities which is anticipated in the next Parliament. This risk reflects this uncertainty.	Resources are insufficient and this results in non achievement of Corporate Plan priorities, with consequent negative impacts on residents and other stakeholders.	Exec Director of Finance & Performance	4	5	20	Budget balanced for 2024/25 but indicative and significant budget gaps from 2025/26 to 2027/28 highlighted. Most notably overarching external review and specific transformation review for Adult Social Care.  Ongoing intelligence and lobbying alongside working to ensure robustness of the budgets for future years, including timely responses to the consultation on LA funding at the appropriate time.  Financial planning and budget proposals and savings / income generation options.  Budgets based on prudent assumptions. Challenge of budget proposals from Officers and Members  All work linked to future transformation programme across all aspects of the Council.  Transformation and specific working groups to address specific budget areas including programme boards within Directorates.  Review potential external funding opportunities to meet service need.	CIPFA Financial Management Code self-assessment  Budget Scrutiny Arrangements  Member/Officer challenge	3	4	12	Continuing development of the MTFP for minimum 3 years. Budget 2024/25 approved February 2024. Work with services to identify efficiencies, cost controls and income generation to protect vital services.  Factor in any announcements from the Chancellor's Spring/Autumn Budget Statements (generally March and November each year) and the Spending Review.  Strong focus on robust controls for areas outside the General Fund, ie DSG and HRA.  Respond to Government	Executive Director of Finance and Performance	Ongoing	
8	The Council is forecasting an in year overspend on the General Fund of £11m as at Period 10. The DSG is forecasting an overspend of £9m at Period 10.	The requirements from demand led services such as children's social care and Adult Social Care result in significant pressures. The budget is also still being adversely impacted by the significant impact of higher than anticipated inflation (both pay and prices).  The level and extent of the inflationary increases is higher than the OBR forecast at the time the budget was set. The pay award was budgeted at 4% and exceeds the provision by £2.2m. The cost of living challenges will also potentially present difficulties for income generation in areas such as leisure, with greater support mechanisms being required as well as possibly resulting in increased service demand in areas such as homelessness. The DSG pressures relate to the increase in the number of Education, Health and Care Plans (EHCP), sufficiency issues in local SEND placements, pressures in mainstream top ups and Alternative Provision (AP).	The Council will overspend, which will impact on the level of reserves.  The Council is currently forecasting an overspend predominantly due to demand and price pressures. The Council is forecasting a pressure on DSG due an increase in EHCP and sufficiency of placements.	Exec Director of Finance & Performance	5	4	20	Ongoing monitoring and scrutiny.  Reserves and contingency to offset in year pressures.  Robust governance arrangements for approval of any new/unplanned spend or proposals.  Closely monitor the financial position and work with colleagues to mitigate any pressures in year. Continue to work through the budget to identify underlying issues and risks and address as part of the MTFP.  Utilisation of government funding as available to support individuals, businesses and households. Eg Household Support Fund	CIPFA Financial Management Code self-assessment.  In year monthly monitoring to Executive and regular scrutiny by the Corporate Scrutiny Committee including scrutiny of Children's Services position which is operated through the Children's Trust.  Children's Trust position also reported to the Operational Commissioning Group and the Strategic Commissioning Group for review.	5	4	20	Work to identify in-year mitigation as well as close working with the Children's Trust to understand the driving factors for, and the potential for mitigation.  Set aside contingency and reserves to meet shortfall and addressing the position in the longer term as part of the MTFP. The Council is working with the ESFA on a Deficit Recovery Plan to address the financial pressures within the DSG	Executive Director of Finance and Performance	Ongoing	
9	Inadequate data sharing and data security arrangements - leading to non-compliance with legislative requirements.	Processes and procedures are not effective. Officers do not comply with processes and procedures. Inadequate training to promote requirements and risks. Information Asset Registers aren't complete.	Loss of data.  Financial fines/penalties.  Reputational damage.	Director of Law and Governance	3	4	12	Information Asset Registers.  Data protection training for staff and Members.  Data protection policies and guidance for staff. Data Protection Officer in post IT health checks including penetration testing, information sharing agreements with partners and agencies	Internal Audit of Information Governance 2023/24 - Moderate / Good Assurance.	3	4	12	Predecessor storage arrangements to be considered and business case put together for consideration by CLT.	Data Protection Officer	Jan-24	
10	Procurement - Key suppliers of goods and services (including hosted / shared services) fail to deliver services to the required standards and capacity - thereby, impacting on the Council's ability to operate effectively in delivery/provision of services.	This may be due to lack of financial resilience or other factors, impacting the onward ability of the Council to secure required services to its residents. A key risk given COVID impact, inflationary pressures, negotiation of UK trade deals following UK Exit and lack of competition in some markets.  Poor contract management may lead to failure to highlight and address performance issues effectively.	Financial and legal implications for the Council.  Implications for maintaining appropriate standards for key service functions and impact on customers.  Reputational damage for the Council and the Contractor.  Early termination of the contract because of operational failures by the Contractor.  Withdrawal of the service by the Contractor owing to dispute with the Council.  Legal challenge on award of contracts / failure to achieve value for money.	Exec Director of Finance & Performance	3	4	12	Professional Procurement Teams in place to support services in effective management of procurement lifecycle; including supplier due diligence. Includes involving all directorates. Contract management register and risk assessment in place. Bankruptcy / Liquidation Policy to enable consistent response to supplier failure. Enhanced due diligence arrangements developed and due diligence working group in place. Risk reduced but maintained at medium due to wider risks of supplier resilience outside of control of the Council and implication of the new Procurement regulations coming into force in October 2024. Reporting to: CLT and Corporate Scrutiny Committee as required.	Internal Audit review of Procurement Compliance 2023/24 (Moderate assurance rating)  Internal Audit review of Contract Management in Place and Economy (Good assurance rating).	2	3	6	Ongoing work with Directorates regarding Procurement requirements and maintenance of the Contract Register with a view to timely procurement and greater contract negotiation potential. January 2024 Procurement become part of corporate induction. Work on new regulations currently in progress to ensure compliance.	Head of Procurement	Ongoing	
11	Inadequate organisational capacity.	Capacity is not prioritised in the areas which will deliver outcomes and ensure service delivery. Capacity is not directed to specific pressures, eg- elections. Increased turnover resulting in increased vacancies. Recruitment and retention challenges which are influenced by a national shortage of employees as well as local issues such as near implementation of pay and grading and terms and conditions.	Reduced service provision, negative impact on health and wellbeing of officers, service delivery not meeting performance standards. Worse outcomes for residents.	Exec Director of Customer & Governance	5	4	20	Workforce and service performance data considered regularly at a senior level. HR Policies to support effective recruitment. People Plan in place to support employees. Future Ways of Working Strategy in place to attract employees and support health and wellbeing as well as ensuring excellent services are delivered. Managers supported to understand areas and any organisational challenges. Apprenticeship Policies being implemented to support "grow your own". Managers Network established to support managers with implementation of values. Pay and Grading and Terms and Conditions implementation due in Feb 2024.  Dialogue at the right level around critical areas where resource is specialised and limited and could have a more rapid impact on service delivery.	HR data presented regularly along with wider corporate healthcheck information to ensure that performance, complaints, budget and HR data is considered holistically. Management information provided to managers within the organisation. Policies and Procedures in place and reviewed.  Consideration at CLT of areas of greater risk of impact of capacity shortage.	3	4	12	CLN colleagues to raise areas of concern with CLT should they arise.	CLN		

13	Legacy legal claims of predecessor Councils, .	Matters arising from actions/omissions of previous authorities which may be challenged	Reputational damage, financial and legal implications	CLT	3	5	15	Risk Registers, understanding of previous actions/omissions by senior management, national learning.	Risk Registers	3	5	15	Claims can arise at any time but there are specific limitation periods dependant on type. They will be dealt with on a case by case basis when they arise.	CLN	ongoing	
14	Consolidation and/or disaggregation of services into the new Unitary delivery.	Disaggregation of previously county wide services.	Disaggregation may cause budgetary and recruitment challenges where a service will cost more to deliver and staff may choose to transfer to the other authority for reasons such as local or pay differential. Reduced levels of services to customers. Vacancies for difficult to recruit key/statutory posts Increased cost of service	CLT	3	4	12	Agreed HR process & disaggregation principles between NNC/WNC on transfer of staff Statutory staff consultation process in place Updates to Directorate forums with Unions to include info on new service structures Agreed process for staff re-structures	Transformation Impact Assessments Transformation Business cases Transformation decision process through Joint Officer Board and Shared Services Joint Committee Directorate Union consultation forums	3	4	12	Detailed Transformation Plans reflect the remaining areas of diagggregation to be finalised and business plans are considered in detail.	CLT	Mar-24	
16	Breaches of health and safety responsibilities result in injuries/harm to staff, tenants or service users.	<b>People</b> Ineffective or insufficient competent advice.  A lack of leadership engagement and competence in HSW matters.  Lack/loss/movement of those with additional H&S responsibilities.  <b>IT</b> Unsuitable IT systems to aid risk management.  <b>Property</b> Unsuitable or poorly maintained properties and or workspaces.	Injury / harm to individual(s).  Financial penalties and fines.  Prosecution of organisation and or individuals.  Reputational damage.  Employees do not feel safe and supported and decide to leave employment.  Failure to meet Service Level Agreement requirements with schools (LA + Non LA).  Poor safety culture.  Inadequate management systems.	Assistant Chief Executive	3	5	15	•Nominated Director for HSW (Assistant Chief Executive) •HSW policy in place and signed off Chief Exec. •Supplementary procedures on specific risks / processes. Procedures have identified owners across various departments. •HSW intranet pages to publish / communicate information. •Contracts for occ health, eye care and eap provider in place. •Competent Advice - HSW team re-structure completed, maintain resource requirements and team competencies. •Providing adequate Information, Instruction, Training and Supervision. •Certificate of employers liability insurance / policy statement published on intranet and notice boards where staff don't have access to this.	•Management self-audits and inspections (HSW Management Tool) •HSW team led audits. •Reporting and investigation of accidents and incidents. •HSW monitor accident and incident reports. •Competent person inspections of plant and equipment. •Internal audit. •Routine/non-routine visits from enforcement authorities (fire, hse). •Directorate HSW forums and Joint HSW committee's established (Qrtly meetings). •Reviewing of policy and procedures.	3	5	15	Corporate plans are in place to lower risk and development of our safety management system (SMS) is ongoing. We have started to carryout audits this year to measure compliance with and effectiveness of the SMS. Only when we have some real assurance across a broad range of areas will the score be lowered for likelihood.  Property Compliance arrangements are developing with more rigorous reporting to Directorate and joint H&S boards. However, there are still variances in approach related to legacy property management arrangements and budget control. This will only be resolved fully through the introduction of a Corporate Landlord Model, which	Health and Safety Lead	Ongoing	
18	Transformation Plan not delivered as endorsed by Executive, affecting the ability to deliver benefits of projects/programmes within the plan.	External (corporate wide or external to organisation) pressures impact upon the delivery of the Transformation team.  increase in service demand for Transformation – leading to the service being overwhelmed by competing demands on resources and disappointment amongst customer base with pace achieved.	Failure to deliver planned benefits and savings.	CLT	3	4	12	Each Directorate has a programme board to consider transformation priorities, new project proposals and progress against plans. These dovetail into other approval routes eg for IT improvement through the Digital Board and Capital Investment through the Strategic Capital Board.  Individual Project Boards are established for relevant projects eg new systems.  Regular reporting of activity and progress to relevant boards. Summary to Members.	Internal reviews and Internal Audit (recent "Good" score for disagg programme, for example)	3	3	9	Transformation Plans reside with individual Executive Directors.	CLT	Ongoing	
19	Pay and Grading resources and expertise	Pay and Grading regarded as HR project rather than corporate transformation project. There is a lack of specialist resource in North to lead and support this critical work. AD leading this, as well as other key projects - e recruitment, FWOV people workstream, people strategy and disaggregation of L&D.	Risk that the project will drift and not achieve the aims of a competitive and comprehensive pay and reward structure for the North. Financial risks if financial expertise and capacity is not integral to the project. Financial risk to HR budget as this should not be a pressure on the HR budget.	Assistant Chief Executive	3	4	12	Establish Pay and Grading as a corporate transformation project and resource with adequrate specialists / expertise and monitor continued progress of implementation through CLT.	Delivery of the Pay and Grading Project to project timescales	4	3	12	Continue to seek additional specialist resource and utilise substantive team where possible.	Assistant Director of HR	Ongoing	
20	Cost/Service Need being in excess of budget and activity anticipated due to Cost of Living impact	National/global recession resulting in business failure and unemployment  Growth or decline of the local/national economy - adverse impact on interest rates, inflation and service demand.  UK CPI inflation rate is currently falling and is now 3.4% as at February 2024 (high of 11.1% in October 2022)	Increased requirement for benefits, housing, Council Tax support, business advice and support. Adverse impact on demand led services eg homelessness. Adverse impact on other services due to reduction in disposable income eg use of leisure facilities.  Impact on services to deliver support packages	CLT	4	4	16	Emergency Planning Business Continuity Plan - Reviewed as part of Business Continuity Arrangements through Emergency Planning Team.  Identified area on the Council's website to provide details of support for residents including wider link to Government support - <a href="https://www.northnorthants.gov.uk/cost-living">https://www.northnorthants.gov.uk/cost-living</a>  Existing Council support mechanisms for those in need and wider community support networks  Specific government funding streams such as Household Support Fund administered by the Council. The Household Support Fund has now been extended for a further 6 months in 2024/25 as announced in the March Budget Statement by the Chancellor.  Macro controls to offset inflation. However, this often means interest rate rises and affects predominantly home owners. The current Bank of England base rate is 5.25%.	Emergency Planning Business Continuity Planning Process and information dissemination.  National Announcements for Government support - <a href="https://www.gov.uk/cost-of-living- yo help alleviate individual and organisational pressures">https://www.gov.uk/cost-of-living- yo help alleviate individual and organisational pressures</a> .  Current service provision and controls including work with community groups and establishment of Warm Spaces winter 22-23 and 23-24.  Bank of England control mechanism.	3	4	12	Specific group set up to look at implications arising from the cost of living crisis and impact/support.	Assistant Director Communities	Ongoing	



### Strategic risks – current scores

<b>Impact</b>	Very High	5			01, 13, 16		
	High	4			02, 04, 05, 06, 07, 09, 11, 14, 20		<b>08</b>
	Medium	3		10	18	19	
	Low	2					
	Negligible	1					
			1	2	3	4	5
			Very rare	Unlikely	Possible	Likely	Very Likely
<b>Likelihood</b>							

Ref	Risk
01	Children's Trust fails to deliver to the agreed standards / failure of the Council's Intelligent Client Function (ICF).
02	Failure of corporate governance/meeting statutory requirements / poor decision making.
04	Disruption to service delivery and community due to unplanned incident or emergency.
05	Failure of capital and revenue projects to deliver upon intended benefits, within budget and planned timeframes.
06	Failure to safeguard vulnerable adults.
07	Unsustainable finances (medium term from 2024/25)
08	The Council is forecasting an in year overspend on the General Fund of £11m as at Period 10. The DSG is forecasting an overspend of £9m at Period 10.
09	Inadequate data sharing and data security arrangements– leading to non-compliance with legislative requirements.
10	Procurement - Key suppliers of goods and services (including hosted / shared services) fail to deliver services to the required standards and capacity - thereby, impacting on the Council's ability to operate effectively in delivery/provision of services.
11	Inadequate organisational capacity.
13	Legacy legal claims of predecessor Councils.
14	Consolidation and/or dis-aggregation of services into the new Unitary delivery.
16	Breaches of health and safety responsibilities result in injuries/harm to staff, tenants or service users.
18	Transformation Plan not delivered as endorsed by Executive, affecting the ability to deliver benefits of projects/programmes within the plan.

## Appendix 2 Risk heat map

19	Pay and Grading resources and expertise.
20	Cost/Service Need being in excess of budget and activity anticipated due to Cost of Living impact.

### Risk scoring matrix

<b>Very high</b>	5	10	15	20	25
<b>High</b>	4	8	12	16	20
<b>Medium</b>	3	6	9	12	15
<b>Low</b>	2	4	6	8	10
<b>Negligible</b>	1	2	3	4	5
<b>IMPACT</b>          <b>LIKELIHOOD</b>	<b>Very rare</b>	<b>Unlikely</b>	<b>Possible</b>	<b>Likely</b>	<b>Very likely</b>

## Appendix C Risk scoring methodology

### Impact Descriptors

	<b>Negligible (1)</b>	<b>Low (2)</b>	<b>Medium (3)</b>	<b>High (4)</b>	<b>Very High (5)</b>
<b>Legal and Regulatory</b>	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges
<b>Financial</b>	<£0.5m	<£1m	<£5m	<£10m	>£10m
<b>Service provision</b>	Insignificant disruption to service delivery	Minor disruption to service delivery	Moderate direct effect on service delivery	Major disruption to service delivery	Critical long term disruption to service delivery
<b>People and Safeguarding</b>	No injuries	Low level of minor injuries	Significant level of minor injuries of employees and/or instances of mistreatment or abuse of individuals for whom the Council has a responsibility	Serious injury of an employee and/or serious mistreatment or abuse of an individual for whom the Council has a responsibility	Death of an employee or individual for whom the Council has a responsibility or serious mistreatment or abuse resulting in criminal charges

## Audit and Governance Committee 15<sup>th</sup> April 2024

Report Title	Internal Audit progress report
Report Author	Rachel Ashley-Caunt, Chief Internal Auditor

### List of Appendices

#### Appendix 1: Internal Audit progress report – April 2024

##### 1. Purpose of Report

---

- 1.1 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.

##### 2. Executive Summary

---

- 2.1 The Internal Audit plan of work is subject to ongoing review and prioritisation to ensure it continues to focus on the Council's key risks. Since the last meeting of this Committee, six audit reports have been finalised and the key findings are summarised in Appendix 1.
- 2.2 During the 2023/24 financial year to date, 73% of the planned audits have been delivered to at least draft report stages and for all remaining assignments fieldwork is either complete or progressing.

##### 3. Recommendations

---

- 3.1 It is recommended that the Committee:

- a) Note the progress report attached as Appendix 1 and consider the main issues arising.

- 3.2 Reason for Recommendations:

- For the Committee to exercise its duties and responsibilities within its Terms of Reference for receiving reports from the Internal Audit service and considering the main issues arising; and agreeing any amendments in audit coverage.

##### 4. Report Background

---

- 4.1 Since the last meeting of the Audit and Governance Committee, the Internal Audit service has been progressing fieldwork on assignments scheduled for the first half of the 2023/24 year. The key findings of six audit reports which have been finalised during the period are provided within Appendix 1 for the Committee's information.
- 4.2 A copy of the Internal Audit plan for 2023/24 and the status of each assignment is provided.
- 4.3 Included within the progress report is an overview of the implementation of agreed management actions, since the last progress report to this Committee.

## **5. Issues and Choices**

---

- 5.1 The report provides an update on delivery of the internal audit work for 2023/24 and a summary of the findings of audits which have been finalised in the period.

## **6. Implications (including financial implications)**

---

### **6.1 Resources and Financial**

- 6.1.1 Not specific to this report.

### **6.2 Legal**

- 6.2.1 Not specific to this report.

### **6.3 Risk**

- 6.3.1 As set out within the progress report for each audit.

### **6.4 Consultation**

- 6.4.1 Not required for this report.

### **6.5 Consideration by Scrutiny**

- 6.5.1 Not required on this occasion.

### **6.6 Climate Impact**

- 6.6.1 Not specific to this report.

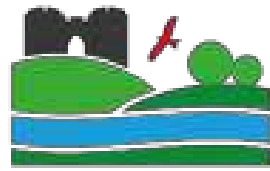
### **6.7 Community Impact**

- 6.7.1 Not specific to this report.

## **7. Background Papers**

---

- 7.1 None.



**North  
Northamptonshire  
Council**

# Internal Audit Progress Report

April 2024

## 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Audit & Governance Committee to oversee the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Internal Audit service.

## 2. Performance

- 2.1 Since the last meeting of the Audit and Governance Committee, the Internal Audit team has been progressing work on delivery of the 2023/24 audit plan.
- 2.2 A full copy of the 2023/24 audit plan is provided as Table 1, on pages 8 to 15 of this report.
- 2.3 At the time of reporting, 73% of the audit plan in Table 1 has been delivered to at least draft report stages and fieldwork is either complete or progressing on all remaining assignments.

## 3. Key findings

- 3.1 Since the last meeting of the Audit & Governance Committee, finalised reports have been issued in respect of six audit assignments. The key findings arising from those audits are summarised as follows:

### **Landlord health and safety**

As a social housing landlord, the Council has a number of responsibilities to ensure that the properties are safe for tenants and that legal duties are consistently and reliably met. The 2022/23 audit of this area noted some areas for improvement including a lack of consistent oversight in relation to timely completion of remedial actions arising from inspections and assessments. The Housing performance reporting now includes a range of indicators for compliance regimes. Monthly compliance meetings also take place, with recorded actions and review of live datasets from the compliance module, including monitoring of remedial actions arising from servicing/inspections which are logged on the system. Management attend these meetings providing the opportunity to escalate issues and maintain oversight.

At the time of reporting, the Council's records indicated that 99.78% of properties had a valid gas safety certificate, with remaining properties subject to access attempts and application for warrants. A sample of 40 of the properties with gas supplies was selected for audit testing and it was verified that 100% of those properties had a valid gas safety certificate dated within the last twelve months.

Since October 2022, social housing landlords have been legally required to ensure that all properties have sufficient smoke and carbon monoxide detection devices installed. The Council has required contractors to check these during compliance visits and install devices where needed. At the time of audit, it was reported that 98.9% of properties have carbon monoxide detection, where applicable, and 99.9% meet the requirements for smoke detection devices. Audit sample testing confirmed that evidence was available to support






compliance of properties in the Corby area but records were not consistent in Kettering, with assurance taken from officers.

Approaches to compliance are generally moving towards being better aligned across the localities. The differing approaches have, however, resulted in some greater backlogs in some areas – such as gaps in asbestos survey coverage in Kettering where full management surveys were not routinely sought historically, requiring a greater resource investment to bring records up to the expected standard. Properties in Kettering had also not previously been subject to five yearly electrical installation condition reports (EICRs) so the backlog in this area is also greater. Clarity is recommended for some reported performance data, i.e. defining the meaning of a ‘valid’ fire safety check, along with data verification checks for the wider data sets, to ensure complete and accurate reporting.

In 2023, following the Spotlight report, staff training was rolled out and the categorisation of cases relating to damp and mould was reviewed. There is a need to formalise the Council’s policy on handling these cases to ensure compliance with latest guidance and consistency in approach across the housing stock.

Based upon the fieldwork completed, the following assurance opinions have been given:




Internal Audit Assurance Opinion		
Control Environment		Moderate
Compliance		Moderate
Organisational Impact		Medium

### Cyber security – vulnerability management

As part of the 2023/24 Internal Audit plan, a programme of cyber security audits is being undertaken, with this second audit reviewing the arrangements over vulnerability management. The Council has regular penetration testing and vulnerability scanning arrangements in place to identify vulnerabilities across the network. The Council is also enlisted to the National Cyber Security Centre’s check services to help identify any relevant vulnerabilities.

Any areas where potential for further improvement was noted in the audit were discussed with management, and actions agreed.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment		Good
Compliance		Good
Organisational Impact		Low

## Asset management (leases) – follow up

Commercial Property Management provides the Council with an opportunity to maximise income whilst keeping to its core values and supporting the Council's objectives. The net income on assets budgeted for 2023/24 was approximately £12 million. An audit in 2022/23 resulted in an opinion of Limited Assurance for the control environment and compliance with key controls. This follow up audit was included in the Internal Audit Plan for 2023/24 to provide assurance over progress made in implementing the agreed management actions.

It is evident that progress has been made in strengthening controls in this area since the last audit and there is support for a move to a 'corporate landlord' model to ensure all lease arrangements are subject to professional input by the Asset Management team, thereby managing associated risks. A number of key developments include the approval of the new Corporate Property Leaseholder Policy in November 2023; the procurement of a new asset management system to be rolled out in 2024/25; and formalising of some key processes and controls. Whilst this demonstrates good progress made, it is acknowledged that the embedding of some new systems and controls remains a work in progress due to the resource implications, the timescale for rolling out of the new software and the promotion and embedding of the new policy.

A key weakness flagged by the 2022/23 audit had been the lack of a single, complete record of all leased properties. The record keeping has improved since the last audit, with actions taken to improve coverage, but remains reliant on a number of separate records with varying content. The procurement of an asset management system to collate and maintain this data going forward demonstrates the actions taken to address this issue. This will support a number of the key processes, controls and reporting that require greater consistency and automation - and roll out is due to commence in 2024. In the meantime, some recommendations have been made to improve interim controls and to ensure that the data integrity and migration into the new system is suitably robust.

Some actions remain open in relation to establishing the VAT status of leases and ensuring a complete picture of all legacy rent deposits. The rent deposit process for new leases now appears to have been established and would be further supported by ensuring access to relevant income receiving information.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	● Moderate
Compliance	● Moderate
Organisational Impact	● Medium

## Special educational needs and disabilities (SEND)

A child or young person has special educational needs or disabilities (SEND) if they have a learning difficulty or disability which calls for special educational provision to be made. This audit provides assurance over the process for allocating SEND funding and ensuring funding meets the needs of children, focussing on the Education Health and Care (EHC) assessment process, management and allocation of funding and the sufficiency of education provision

for children with SEND. Records indicate that 451 EHC needs assessments had been requested between August 2022 and August 2023.

Aspects of the EHC process are operating well, such as effective budget monitoring and reporting, robust performance monitoring of the service and good dissemination of information to the public regarding education, health and care plans and the support available.

Audit sample testing has highlighted that the Council's education case management system is not deemed fit for its intended purpose, contributing to inefficiencies in EHCP decision making and correspondence management. Due to the limitations of the system, the service relies heavily on manual spreadsheets which poses the risk of data inconsistency and potential errors. Records are dispersed across various locations, which has led to difficulties in locating decision and correspondence records with regards to the EHC assessment, plan and annual reviews process, as well as the administration of personal budgets.

The absence of standard operating procedures has also contributed to inconsistent application of processes; however, positive steps have been taken to address this by introducing regular staff training days.

Since June 2023, the service's quality assurance (QA) process has been paused and no QA activities have taken place. Additionally, there is no documented and approved SEND sufficiency strategy and action plan which may impact the Council's ability to meet SEND requirements effectively.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	●	Limited
Compliance	●	Moderate
Organisational Impact	●	High

### **Schools – safer recruitment and payroll**

Section 175 of the Education Act (2002) requires local education authorities and governing bodies of maintained schools and further education institutions to make arrangements to ensure that their functions are carried out with a view to safeguarding and promoting the welfare of children. Additionally, schools and colleges in England must have regard to the Department of Education's Statutory guidance, Keeping Children Safe in Education (KCSIE) when carrying out their duties to safeguard and promote the welfare of children. The audit was designed to provide assurance that the Council's maintained schools adopt a consistent and rigorous approach to recruitment and selection with the aim of reducing the risk of appointing unsuitable people to positions of trust, and key payroll controls are operating effectively. Audits were conducted at a sample of eight maintained schools between October and December 2023.

All schools must maintain a Single Central Record (SCR). This is a key piece of documentation referred to in KCSIE guidelines and it plays a crucial part in establishing and evidencing safe recruitment practice. Whilst all schools in the sample hold a single central

record, notable variations in the content and format of the record were found and areas for improvement were identified across all schools. Schools would benefit from a standard template to ensure this record is complete and fully consistent with regulatory requirements.

Whilst all school visited were found to have up to date child protection and safeguarding policies, which included comprehensive coverage of safer recruitment practices, the audit identified instances of non-compliance, particularly in the retention of evidence verifying an employee’s the right to work and identity.

Furthermore, there is a need for updated templates for whistleblowing policies across the schools and clarification regarding the retention of DBS certificates would help ensure consistent practices regarding the handling and retention of sensitive information.

All schools were keen to implement the recommendations outlined in the audits. There is a potential opportunity for increased support and guidance from the Council to facilitate the sharing of good practices and to actively aid in embedding these practices across the maintained school base. Strengthening collaboration in this manner will contribute to a more unified and effective implementation of recommended improvements across all schools.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	● Moderate
Compliance	● Moderate
Organisational Impact	● Medium

### Housing benefit

The Council administers Housing Benefit and local council tax support on behalf of the Department for Work and Pensions. The primary focus of this audit was to provide assurance that appropriate arrangements are in place to ensure the accurate and timely processing of claims. The current caseload across the Council as of December 2023, was 9,067 Housing Benefit cases and 17,407 Council Tax Support cases. The review has found that the Council has clearly robust systems and processes in place to administer benefits including defined processes to receive new claims and notifications around changes in a claimant’s circumstances. To support this, appropriate arrangements were found to be in place for induction and training for new staff, updating system parameters and maintaining up to date procedures.

A key factor underpinning some of the findings in the audit is the fact that the service is still operating in many respects as four separate teams with different working practices, as such the impact of issues encountered are often limited to a specific team rather than across the whole service.

The audit has highlighted the following areas where further action is required to manage associated risks:

- Local targets have been set for the expected time to process a new claim or a change in circumstances. Based on the financial year 2023/24 up until December 2023, whilst the target for processing a change of circumstance is being met, the average

time taken to process a new claim was 26.83 days against a target of 21 days for the same period.

- Retrospective quality checks are undertaken to gain assurance over the accuracy of claims processed. The review found different approaches in the four teams around the expected number of checks to be undertaken and which claims are assessed. Additionally, analysis found the expected level of checks were not being carried in two of the teams.
- The level of benefit overpayments outstanding is currently £3.184 million, of which just under £2.2 million originated in legacy councils. Analysis of these debts highlighted concerns that for at least £700k of this total, the debt had been overdue for at least three years, (but much older in some cases), and little if any progress has been made in collecting this money to date. It was also noted that the value of some (i.e. 67 debts less than £150) was relatively low in value and may be judged to be uneconomical to pursue.
- Testing on 20 debts originating from 2023/24 highlighted that in 40% of cases, there was a lack of timely action by the Council in the last three to six months to progress recovery of the debt.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	● Moderate
Compliance	● Moderate
Organisational Impact	● Medium

## 4. Implementation of recommended actions

- 4.1 Where any weaknesses or opportunities for improvement are identified by audit testing, recommendations are made and an action plan agreed with management. These actions are subject to agreed timeframes and owners and implementation is followed up by Internal Audit on a monthly basis.
- 4.2 Since the last Audit and Governance committee meeting, 26 open actions have been confirmed as implemented – an overview is provided in Table 2 of this report. There were 62 recommendations overdue for implementation as at 29<sup>th</sup> March 2024.
- 4.3 To provide the Committee with further detail on high risk actions which remain overdue by more than three months, full details are provided in Table 3, with latest updates from officers. There are four such actions at this time.

**Table 1: Progressing the Annual Internal Audit Plan  
2023/24**

**Key**  
Current status of assignments is shown by shading

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
<b>Governance</b>											
Ethical governance	Q2							Advisory work, as required			
<b>Corporate compliance with key controls and policies</b>											
Agency staff and consultants	2022/23							Moderate	Limited	Medium	Reported in August 2023
Information governance	Q1							Moderate	Good	Low	Reported in September 2023
Starters and leavers	Q1							Moderate	Good	Low	Reported in November 2023
Staff recruitment	Q2										
Procurement compliance	Six monthly							Moderate	Moderate	Medium	Reported in February 2024

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Partnerships and hosted services	Q2										Postponed to Q4
Budgetary control and savings plans	Q3										
Business continuity management	Q3										
Agency workers and consultants (follow up)	Q4										
<b>IT risks</b>											
Cyber security – training and awareness	Q1							Moderate	Moderate	Medium	Reported in September 2023
Cyber security – vulnerability management	Q2							Good	Good	Low	See section 3.1
IT strategy and governance	Q1							Moderate	Moderate	Medium	Reported in November 2023

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
<b>Corporate objective – Modern Public Services</b>											
New Customer Relationship Management system – phase 1	Q1							Good	Good	Low	Reported in August 2023
Management of capital projects	2022/23							Moderate	Moderate	Medium	Reported in September 2023
New revenues and benefits system (embedded assurance)	All year							Good	Good	Low	Reported in February 2024
New income management solution (embedded assurance)	All year	Engaged with project – advisory work									
Hospital discharge invoicing	Q1										
Right to buy applications	Q1							Moderate	Moderate	Low	Reported in September 2023



Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Complaints and compliments management	Q2							Moderate	Moderate	Medium	Reported in February 2024
Agile working	Q2										
Housing repair stores (advisory)	Q2							Consultancy			Reported in September 2023
Asset management – leased assets (follow up)	Q3							Moderate	Moderate	Medium	See section 3.1
Capital project management – Kettering library roof	Q4										
<b>Corporate objective – Safe and Thriving Places</b>											
Homelessness and temporary accommodation	2022/23							Good	Moderate	Medium	Reported in August 2023
External placements	2022/23							Limited	Moderate	Medium	Reported in November 2023
Landlord health and safety	Q2							Moderate	Moderate	Medium	See section 3.1

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Home to school transport (follow up)	Q2							Moderate	Moderate	Medium	Reported in February 2024
Highways maintenance contracts	Q3										
Private sector housing enforcement and empty homes	Q3										
Housing repairs (follow up)	Q4										
UK Shared Prosperity Fund	Q1							Good	Moderate	Low	Reported in November 2023
<b>Corporate objective – Greener, Sustainable Environment</b>											
Climate change strategy (Carbon Management)	Q4										
<b>Corporate objective – Better, Brighter Futures</b>											
SEND	Q2							Limited	Moderate	High	See section 3.1
Early years providers	Q2							Moderate	Moderate	Medium	Reported in February 2024

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Schools – thematic review (safer recruitment and payroll)	Q3							<b>Moderate</b>	<b>Moderate</b>	<b>Medium</b>	See section 3.1
Ad-hoc support and school audits	As required							One Safer Recruitment audit completed at management request in June 2023.			
Governance of the Children's Trust	Q4										
<b>Corporate objective – Active, Fulfilled Lives</b>											
Payments to social care providers	Q1							<b>Good</b>	<b>Moderate</b>	<b>Medium</b>	Reported in November 2023
Continuing health care (CHC) funding	Q1										Postponed to Q4
Adult social care data quality	Q2										
Specialist care centres	Q3										
Health and Social Care Act 2022 (advisory)	Q3	Advisory work – completed									
Public health contract management (follow up)	Q3										




Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments	
Adult safeguarding	Q4											
<b>Key financial systems</b> - Providing assurance that the Council has made arrangements for the proper administration of its financial affairs, these system audits focus on the systems with the highest financial risk.												
Payroll	Q4	Being delivered under lead authority model										
Pensions	Q4	Being delivered under lead authority model										
Accounts payable	Q4											
Debtors and debt recovery	Q4	Being delivered under lead authority model										
Main accounting system – year end	Q1							Moderate	Moderate	Medium	Reported in August 2023	
Main accounting system	Q4											
Treasury management	Q4											
Government procurement cards	Q1							Moderate	Limited	Low	Reported in September 2023	
Local taxation 2022/23	Q1							Moderate	Moderate	Medium	Reported in August 2023	
Local taxation 2023/24	Q4											

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Housing benefit 2022/23	Q1							Good	Good	Low	Reported in August 2023
Housing benefit 2023/24	Q4							Moderate	Moderate	Medium	See section 3.1
<b>Public Health</b>											
Public health grant	Q2							Good	Good	Low	Reported in February 2024
<b>Grant claims</b>											
Supporting families	Quarterly							Quarterly audits and sign off			
Family Hubs	Quarterly							Complete			
Contain Outbreak Management Fund (COMF)	Q1							Complete			
Disabled Facilities Grants	Q2							Complete			

### The Auditor's Opinion

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
<b>Substantial</b> ●	There is a sound system of internal control to support delivery of the objectives.	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
<b>Good</b> ●	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
<b>Moderate</b> ●	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
<b>Limited</b> ●	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
<b>No</b> ●	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.

Organisational Impact		
Level		Definition
High		The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.
Medium		The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.
Low		The weaknesses identified during the review have left the Council open to low risk. This may have a low impact on the organisation as a whole.

**Table 2: Implementation of Audit Recommendations**

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
<b>Actions due and implemented since last Committee meeting</b>	8	67%	17	25%	1	10%	26	30%
<b>Actions due within last 3 months, but not implemented</b>	-	-	11	17%	-	-	11	13%
<b>Actions due over 3 months ago, but not implemented</b>	4	33%	38	58%	9	90%	51	58%
<b>Totals</b>	12	100%	66	100%	10	100%	88	100%



**Table 3: ‘High’ priority actions overdue for more than three months**

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Governance of Children’s Trust 2021-22	Children’s Services	Intelligent Client Function  To develop a framework for assessing the effectiveness of the Client Function	March 2024: A joint review of the ICF with WNC has taken place. An Inter Authority Agreement between NNC and WNC to formalise partnership working and management on all matters relating to the Children’s Trust, including the functions of the ICF is being developed for implementation in Q1 of 24/25. Following this recruitment to vacant posts to replace agency staff will take place.	Director of Children’s Services / Assistant Director Commissioning and Partnership	31/08/2022	30/06/2024
ICT Asset management 2022-23	Chief Executives Office	Central record/register for software applications and licenses assets.  A corporate central register for all software applications and licenses is to be developed and implemented.	March 2024: This remain work in progress. Progress is however being made.	ICT Manager & Interim Service Delivery Lead and Interim IT Applications Lead	30/06/2023	31/08/2024
ICT Asset management 2022-23	Chief Executives Office	Software Assets – Role and Responsibility clarification  Engagement across services will be required (via communications) to establish the current roles and responsibilities held by ICT and/or services for the management of software assets.	March 2024: This control, owing to an oversight, has progressed later than anticipated. This project is pending submission into the Digital Portfolio Board where the project will be allocated resources. The control makes clear that the project will need funding, which will be understood as the project enters the project pipeline. This work would benefit from being completed in line with the central record register and will share the same timeline as the central register project.	ICT Manager & Interim Service Delivery Lead and Interim IT Applications Lead	30/06/2023	31/12/2024

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Main accounting system 2022/23	Finance	<p>Monitoring of Bank, Control and Suspense Account Reconciliations:</p> <p>The Control Account and Balance Monitoring Sheet should be completed on a monthly basis to ensure that all control accounts have been reconciled and reviewed.</p> <p>Appropriate reporting should be introduced to ensure senior officers received assurance over the robustness of arrangements for ensuring key activity undertaken by other councils on behalf of NNC are being actioned appropriately.</p>	<p>The Finance Team are currently completing year end close down for 2021/22, 2022/23 and 2023/24 with a view that all reconciliations will be completed for the year end accounts 2023/24.</p> <p>Bank control accounts are carried out monthly for the main NNC accounts. Monthly bank reconciliations being completed for all legacy areas - managed through weekly year end catch ups and line management 1-2-1's.</p> <p>Process and procedures for bank reconciliations are continuing to change/develop due to the implementation of the Income Management System and migration to one Revs and Bens System. Legacy arrangements will cease during 2024/25.</p>	Assistant Director Finance and Accountancy	31/10/2023	March 2025

## ***Limitations and Responsibilities***

### ***Limitations inherent to the internal auditor's work***

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit & Governance Committee subject to the limitations outlined below.

### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention. As a consequence, the Audit & Governance Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

### ***Internal control***

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

### ***Future periods***

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

### ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

This page is intentionally left blank