

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

Monday 31st January, 2022

at 2:00 pm in the Council Chamber, Council Offices, Swanspool House,  
Doddington Road, Wellingborough, Northants, NN8 1BP

### **Present:-**

#### Members

Councillor Andrew Weatherill (Chair)	Councillor Kirk Harrison (Vice Chair)
Councillor Jean Addison	Councillor Richard Levell
Councillor Matt Binley	Councillor Paul Marks (Substitute)
Councillor Ian Jelley	Councillor Mark Pengelly
Councillor Anne Lee	Councillor Kevin Watt

#### Officers

Janice Gotts (Executive Director of Finance (s151 Officer))  
Adele Wylie (Director of Legal and Democratic)  
George Candler (Executive Director of Place and Economy)  
Rob Harbour (Assistant Director of Growth and Regeneration)  
Mark Dickenson (Assistant Director of Finance and Strategy)  
Claire Edwards (Assistant Director of Finance and Accountancy)  
Rachel Ashley-Caunt (Head of Internal Audit and Counter Fraud)  
Neil Harris (Ernst & Young – External Audit)  
Ciaran McLaughlin (Grant Thornton – External Audit)  
Paul Harvey (Grant Thornton – External Audit)  
Fiona Hubbard (Senior Democratic Services Officer – Committee Administrator)  
Raj Sohal (Democracy Officer)

Also in attendance – Councillor Lloyd Bunday, Portfolio Holder for Finance and Transformation, Councillor Bert Jackson and Councillor Martin Griffiths.

### **30 Apologies for non-attendance**

It was noted that an apology for absence was received from Councillor Russell Roberts. Councillor Paul Marks attended as his Substitute.

### **31 Members' Declarations of Interest**

The Chair invited those who wished to do so to declare interests in respect of items on the agenda.

There were no declarations received.

## 32 Minutes of the meeting held on 8 November 2021

### RESOLVED:-

- (i) The minutes of the Audit and Governance Committee held on 8 November 2021, be confirmed as a correct record and signed, with the following amendment being requested and agreed by the Executive Director of Resources (s151 Officer) to Minute 19 – Resolution (ii), to read as follows:

Delegate any adjustments to the draft Management Representation Letter to the Council's Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit and Governance Committee.

Two outstanding actions were referred to in the minutes:-

Minute 21 (i) – The Committee requested sight of an Asset Register for North Northamptonshire Council. This information was now available and would be circulated to the members.

Minute 27 (iii) – The Committee requested information in relation to staff vacancies. This matter was in progress and being collated. It was raised through the Scrutiny Task and Finish Groups and would be presented to the next meeting of the Finance and Resources Scrutiny Committee to be held on 1 February 2022.

The Committee requested an Action Log going forward, appended to the minutes and this was agreed.

### Draft Statement of Accounts 2020-2021 Borough Council of Wellingborough and Kettering Borough Council

The Committee had expected the Accounts for 2020-2021 for the Borough Council of Wellingborough and Kettering Borough Council to have been signed off.

Neil Harris (Ernst & Young) briefed the Committee on outstanding matters. The Executive Director of Finance (s151 Officer) was also keen for these to be concluded and was working to support Neil Harris and his team.

The Chair hoped for a reasonable endeavour to reach that stage by the next meeting of the Audit and Governance Committee on 14 March 2022.

## 33 Audit Results Report 2019-2020 - Corby Borough Council

The Committee considered a report from the Assistant Director of Finance and Accountancy, the purpose of which was to approve the provisional Audit Results Report (draft ISA 260) in relation to the Statement of Accounts for Corby Borough Council for 2019-2020 and the Council's draft Management Representation Letter.

The External Auditor, Neil Harris, presented the report which set out the Audit Results Report and reported that Ernst & Young had now substantially completed their Audit.

Arising from consideration of the report and discussion, the following principal comments were made:

- i) Neil Harris reported no significant concerns for 2019-2020 in relation to Value for Money;
- ii) Some control weaknesses were identified in relation to bank reconciliations in that financial year. The Chair commented that there was a need for regular and timely bank reconciliations and to have controls in place;
- iii) The Chair would like to see reflection of the control issues within the financial statement and if required included in the Annual Governance Statement. The aim would be to ensure that disclosure was sufficient to not have the need for consideration of a Value for Money qualification;
- iv) The Executive Director of Resources (s151 Officer) advised that officers would work with Ernst & Young to do what they reasonably can to give them assurance; the Director of Finance and Accountancy added that the Council cannot change retrospectively what they have inherited but operationally have now brought controls back into place;
- v) The Committee commented that this meeting had been postponed for 3 weeks and queried why the property valuations were still outstanding. Neil Harris advised that the delays in relation to the property assets was in relation to incremental work for the Real Estate Team and it was not unusual to have some small matters outstanding. The Committee would like the opportunity to be informed of the outcome of the outstanding property valuations before the accounts were signed off;
- vi) Questions were asked in relation to why the value of the pension asset was overstated. It was clarified that this was due to the function of timing from actuary to the admitted body and can be and often is different to earlier year end valuations;
- vii) It was noted that the final audit fees were still to be confirmed and were not finalised as the scale fee review was currently ongoing with Public Sector Audit Appointments (PSAA);
- viii) A member referred to recommendation 3.1 (b) and a document called International Standard on Auditing (ISA) and asked Neil Harris if any of the points in that document numbered 16, 17 and 19 applied in relation to the written representation. Neil Harris confirmed they did not apply.

**RESOLVED:-**

- (i) The Audit and Governance Committee received the Provisional Audit Results Report to those charged with Governance and approved the draft Management Representation Letter;
- (ii) To delegate any adjustments to the draft Management Representation Letter to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.

### **34 Draft Statement of Accounts - Corby Borough Council 2019-2020**

The Committee considered a report from the Assistant Director of Finance and Accountancy, to receive and approve the Statement of Accounts in relation to Corby Borough Council for 2019-2020.

The Assistant Director of Finance and Accountancy presented the report and explained the key areas and points in the draft Statement of Accounts.

Arising from consideration of the report and discussion, the following principal comments were made:

- i) A member gave the Assistant Director of Finance and Accountancy some amendments to consider changing in the Narrative Report which he felt were predated;
- ii) In relation to external audit fees for Ernst & Young, Neil Harris reported that this was due to timing and sign off of the accounts and agreement was awaited from Public Sector Audit Appointments (PSAA).

#### **RESOLVED:-**

- (i) The Audit and Governance Committee approved the draft Statement of Accounts for the financial year 2019/20 for Corby Borough Council subject to the conclusion of the audit and that there are no material adjustments that impact on the Council's usable reserves;
- (ii) Any non-material adjustments required to the draft Statement of Accounts in relation to the Corby Borough Council be delegated to the Council's Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.

### **35 Audit Results Report 2019-2020 - East Northamptonshire Council**

The Committee considered a report from the Assistant Director of Finance and Accountancy, the purpose of which was to approve the provisional Audit Results Report (draft ISA 260) in relation to the Statement of Accounts for East Northamptonshire Council for 2019-2020 and the Council's draft Management Representation Letter.

The External Auditor, Neil Harris, presented the report which set out the Audit Results Report and reported that Ernst & Young had now substantially completed their Audit.

Arising from consideration of the report and discussion, the following principal comments were made:

- i) Neil Harris reported that they are yet to conclude on audit work in relation to the Monks Case and was kept informed of the steps being taken by North Northamptonshire Council by the Executive Director of Finance (s151 Officer);

- ii) A member asked if Ernst & Young would request a Public Interest Report. Neil Harris advised that they would need to look at this whole matter which is historic over many years and would also judge the Value for Money;
- iii) The sum of associated Council incurred external legal costs was raised which officers believed to be around £157k;
- iv) A few members raised comments in relation to possible criminal liability and poor management in relation to the Monks Case. The Chair responded that it was the role and focus of this Committee to look at the audit and accounting matters, together with controls and risks and not the matters they referred to which are the responsibility of others within the Council and its Committees;
- v) It was reported that East Northamptonshire Council had not carried out appropriate bank reconciliation throughout 2019-2020. Officers responded that this could have been largely attributable to loss of resources but it is not fully known why these arrangements stopped;
- vi) Following the completion of the bank reconciliation in 2021, it was found that a direct debit had been set up using the Council's bank account details by a third party and this was being investigated. The incident was not employee or management driven. The Director of Finance and Accountancy was liaising with the relevant Bank in relation to the matter to ascertain how this was set up; how the Council can protect themselves and also questions around the direct debit indemnity. Internal audit completed planned work early in 2021-2022 in relation to bank reconciliation controls and identified the issues. Management moved swiftly to resolve the issues to give the Committee reassurance going forward. The Committee asked if fraudulent activity is shared with other authorities. The Head of Internal Audit and Counter Fraud confirmed that information is shared through a number of Forums including with Action Fraud;
- vii) A member requested that the Committee be notified of any adjustments to the Management Representation Letter;
- viii) A query was raised by a member if the pension assets are ordinarily overstated. The Director of Finance and Accountancy responded that she had no concerns in relation to this matter and explained the procedure of how this is reported and can change in the normal course of valuations and accounting for pension schemes;
- ix) A member referred to recommendation 3.1 (b) and a document called International Standard on Auditing (ISA) and asked Neil Harris if any of the points in the document numbered 16, 17 and 19 applied in relation to the written representation. Neil Harris confirmed there was nothing to declare apart from a slight caveat to expect some reference to the Monks case and costs.

## **RESOLVED:-**

- (i) The Audit and Governance Committee received the Provisional Audit Results Report to those charged with Governance and approved the draft Management Representation Letter;
- (ii) To delegate any adjustments to the draft Management Representation Letter to the Council's Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.

### **36 Draft Statement of Accounts - East Northamptonshire Council 2019-2020**

The Committee considered a report from the Assistant Director of Finance and Accountancy, to receive and approve the Statement of Accounts in relation to East Northamptonshire Council for 2019-2020.

The Assistant Director of Finance and Accountancy presented the report and explained the key areas and points in the draft Statement of Accounts.

Arising from consideration of the report and discussion, the following principal comments were made:

- i) A member asked why the Monks case was disclosed as an Exceptional Item in the draft Statement of Accounts. The Assistant Director of Finance and Accountancy responded that the disclosure is in line with the Code of Practice on Local Authority accounting and applicable accounting standards;
- ii) Members discussed the cost of the Monks case being provided in East Northamptonshire Council 2019-2020 Financial Statements. This provision and reduction in reserves flows through as a provision to North Northamptonshire and when the payment is made will be offset against the provision so no cost will be recognised in 2021-2022 North Northamptonshire Council's Financial Statements. However the funds transferred to North Northamptonshire Council from East Northamptonshire Council will be lower than originally anticipated.

## **RESOLVED:-**

- (i) The Audit and Governance Committee approved the draft Statement of Accounts for the financial year 2019/20 for East Northamptonshire Council subject to the conclusion of the audit and that there are no material adjustments that impact on the Council's usable reserves;
- (ii) Any non-material adjustments required to the draft Statement of Accounts in relation to East Northamptonshire Council be delegated to the Council's Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.

### **37 Internal Audit Progress Report**

The Committee considered a report of the Head of Internal Audit and Counter Fraud with a progress update on the work of the Internal Audit Team and the key findings from audits completed to date.

The Head of Internal Audit and Counter Fraud presented the report and explained the key points in the Internal Audit Progress Report and reported that eight audit reports have been finalised since the last meeting. The Chair, Vice Chair and Councillor Richard Levell had recently met with the Head of Internal Audit and Counter Fraud to review the Internal Audit Plan.

The Director of Place and Economy briefed the Committee in relation to the S106 monitoring referred to in the report. He explained that this was inherited and knew the Council needed to significantly focus on this matter. An early internal audit review was undertaken with immediate actions put into place and a centralised team, that has one vacancy. Updates on the implementation of the actions arising from the audit would be reported regularly on a quarterly basis to the Strategic Planning Committee and then to the Audit and Governance Committee.

Arising from consideration of the report and discussion, the following principal comments were made:-

- i) The Head of Internal Audit and Counter Fraud responded to questions in relation to legacy debt contained in the report;
- ii) A member commented that he was impressed with what had been completed to date;
- iii) In relation to parking income, a member suggested more up to date payment systems for car parking.

**RESOLVED:-**

- (i) The Audit and Governance Committee noted the Internal Audit Progress Report.

**38 Internal Audit Plan 2022-2023**

The Committee considered a report of the Head of Internal Audit and Counter Fraud with an overview of the proposed Audit Planning process for 2022-2023 and to consult members on risk considerations in the development of the Audit Plan.

The Head of Internal Audit and Counter Fraud presented the report for the Internal Audit service to deliver and agree a programme of work during the financial year.

She reported that a separate session to discuss the programme of work has been arranged with the Chair, Vice Chair and Councillor Richard Levell ahead of the process. Members of the Committee also have the opportunity to highlight any risk areas for consideration in the development of the plan by raising these with the Head of Internal Audit and Counter Fraud and copy to the Chair of the Audit and Governance Committee by 11 February 2022.

Arising from consideration of the report and discussion, the following principal comments were made:-

- i) A member asked whether assurance mapping would be useful. The Head of Internal Audit and Counter Fraud acknowledged that it would be useful for the Council to map out their assurances and advised that assurance mapping could be incorporated into the ongoing development of risk management longer term.

**RESOLVED:-**

- (i) The Audit and Governance Committee noted the proposed approach to the development of the Internal Audit plan for 2022-2023;
- (ii) To highlight any risk areas where Members require assurance during the year ahead.

**39 North Northamptonshire Council - Audit Progress Report and Sector Update**

The Committee considered a report from the Assistant Director of Finance and Accountancy, the purpose of which was to provide the Committee with a progress report and sector update on the work being undertaken by the external auditor, Grant Thornton.

The External Auditor, Ciaran McLoughlin, presented the report and explained the key areas and points within the document.

Members welcomed the set out plans. They also found the sector update to be useful and requested that this information continue to be provided.

**RESOLVED:-**

- (i) The Audit and Governance Committee noted the progress report and sector update.

**40 Exempt Items**

None notified.

**41 Close of Meeting**

There being no further items of business, the Chair declared the meeting closed.

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Chair

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Date

The meeting closed at 4.17 pm