

# Public Document Pack



**North  
Northamptonshire  
Council**

**Meeting:** Audit and Governance Committee  
**Date:** Monday 20th February, 2023  
**Time:** 2.00 pm  
**Venue:** Council Chamber, The Cube, George Street, Corby, Northants, NN17 1QG

To:

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


**Councillors Andrew Weatherill (Chair), Kirk Harrison (Vice-Chair), Jean Addison, Ian Jelley, Anne Lee, Richard Levell, Paul Marks, Mark Pengelly, Elliot Prentice and Russell Roberts**

**Mr Michael Whitworth (Independent Person)**

Substitutes:

Councillors Valerie Anslow, John Currall, Bert Jackson, Peter McEwan, John McGhee and Lee Wilkes

<b>Agenda</b>			
<b>Item</b>	<b>Subject</b>	<b>Presenting Officer</b>	<b>Page no.</b>
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06	Internal Audit Progress Report	R Ashley-Caunt Chief Internal Auditor	57 - 88
07	Presentation of Northamptonshire Children's Trust Audit Reports 2021-2022	A Tagg Director of Finance (NCT) and Jen Morris Head of Audit and Risk Management (West Northampton -shire Council)	89 - 126
<b>Exempt Items</b>			
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09	Close of Meeting		
<p>Adele Wylie, Monitoring Officer North Northamptonshire Council</p>  <p><b>Proper Officer</b> <b>Friday 10 February 2023</b></p>			

This agenda has been published by Democratic Services.  
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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.

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

Monday 28th November, 2022

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

### **Present:-**

#### Members

Councillor Andrew Weatherill (Chair)

Councillor Jean Addison

Councillor Ian Jelley

Councillor Anne Lee

Councillor Richard Levell

Councillor Paul Marks

Councillor Mark Pengelly

Councillor Elliot Prentice

Councillor Russell Roberts

Mr Michael Whitworth (Independent Person)

#### Officers

Janice Gotts (Executive Director of Finance and Performance (Section 151 Officer))

Claire Edwards (Assistant Director of Finance and Accountancy)

Rachel Ashley-Caunt (Chief Internal Auditor)

Adele Wylie (Executive Director of Customer & Governance (Monitoring Officer))

George Candler (Executive Director of Place and Economy)

Rob Harbour (Assistant Director of Growth and Regeneration)

Graeme Kane (Assistant Director of Highways and Waste)

Dean Mitchell (Chief Accountant)

Paul Harvey (Grant Thornton – External Audit)

Fiona Hubbard (Senior Democratic Services Officer)

Councillor Lloyd Bunday (Portfolio Holder for Finance and Transformation), Councillor Graham Lawman (Portfolio Holder for Highways, Travel and Assets) and Councillor Wendy Brackenbury (Chair of the Scrutiny Commission), also attended the meeting.

## **82 Apologies for non-attendance**

It was noted that an apology was received from Councillor Kirk Harrison.

#### Announcements

The Chair welcomed Councillor Elliot Prentice to the Committee as a Full Member.

Following ratification by Full Council on Thursday 24 November 2022, the Chair welcomed the newly appointed Independent Person, Mr Michael Whitworth, as a Full Member of the Committee. Mr Whitworth introduced himself and explained his background and experience from working in corporate and private banking, together with knowledge of school safeguarding as some of the skills he could bring to the Committee.

### **83 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.

### **84 Minutes of the meeting held on 5 September 2022**

The Chair referred to Minute 78 (Report of Children's Services (including Northamptonshire Children's Trust)). He explained that at Full Council on Thursday 24 November 2022, the recommendation for the Northamptonshire Children's Trust Annual Report (Item 10) was amended. This was following the direct output from the considerations of the Committee at the Audit and Governance Committee held on 5 September 2022.

The recommendation at Full Council was amended to note the gaps in sources of assurance as debated at the Audit and Governance Committee on 5 September 2022, and that the Committee is seeking actions from the Northamptonshire Children's Trust, to review their control processes.

Since the last meeting of the Audit and Governance Committee, the Chief Internal Auditor reported that she had a meeting with the Lead Finance Officer at the Children's Trust, and as a result of this, does have a copy of their Internal Audit Plan and Risk Register Entries. She has also requested a quarterly meeting with the Lead Officer and Chief Internal Auditor for West Northamptonshire Council. This will enable our Chief Internal Auditor to feedback to this Committee in relation to assurance progress.

#### **RESOLVED:**

- (i) The minutes of the Audit and Governance Committee held on 5 September, be confirmed as a correct record and signed.

### **85 Internal Audit Progress Report**

The Committee received a report from the Chief Internal Auditor for an Internal Audit Progress Report on the work of the Internal Audit Team and the key findings from audits completed to date. Good progress was being made on progressing planned audit work and a number of grant certifications had been completed during the period. Seven audit reports had been finalised since the last meeting.

The Chief Internal Auditor presented the report and explained in detail the key areas and points and also to get approval to amend the Audit Plan for 2022/23, to remove the planned audit on Preparation for the Care Act Reforms and reallocate those audit days to an audit on secure use of Council bank accounts in adult social care settings.

The Director of Place and Economy and the Assistant Director of Highways and Waste were present at the meeting to brief the Committee, in relation to the audit for the Home to School Transport (2021/22 audit led by West Northamptonshire Council); The Assistant Director of Growth and Regeneration was present in relation to the audit for S106 Agreements 2021/22; and The Executive Director of Customer &

Governance (Monitoring Officer) was present and would respond in relation to the audit for Enforcement Files 2021/22.

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

- (i) A member had concerns in relation to Debt recovery and members of the public being billed years later. The Assistant Director of Finance responded, that she would have to look at individual cases but a debt could come back for recovery even if extinguished several years before;
- (ii) Another member referred to a contract not being awarded in accordance with contract procedure rules. The Chief Internal Auditor responded that this was a contract in the Children's Education Service and the Director had been informed;
- (iii) The Chair asked for an update in relation to the delivery of the Audit Plan and recruitment of staff for the Audit Team. The Chief Internal Auditor advised that she was going again in the hope of recruiting further resources for 2023/24. All audits for the 2022/23 year had been allocated to existing resources;
- (iv) The Assistant Director of Highways and Waste reported to the Committee that the Home to School Transport had previously been hosted by West Northamptonshire Council after it had previously been provided by the former Northamptonshire County Council. The audit of this service was completed by West Northamptonshire Council and was concluded on 26 August 2022 and the outcome received by this Council on 4 October 2022, which meant the November Audit and Governance Committee was the next available meeting to report the findings. The service has now been disaggregated from West Northamptonshire Council;
- (v) Concerns were raised by members in relation to timings as to when the outcome of the audit had been received by this Council, given the significant weaknesses and why there had been such a delay, in this information being received, as the audit had been concluded in August 2022. The Chief Internal Auditor responded that she had been requesting the information monthly from April 2022 through to October 2022. She added that it had been agreed that West Northamptonshire Council would lead on this audit so the work was not duplicated. The Chief Internal Auditor confirmed that she did not receive the outcome of this audit until October 2022;
- (vi) The Assistant Director of Highways and Waste explained in detail the background to the work of the Home to School Transport Team and the range of different contracts, tenders and systems. He welcomed the audit which would enable the service to do something about the weaknesses and risks. He added that the audit confirms the framework to put policies and procedures in place to form a strong foundation to build on. He reported that some of the faults pointed out by the Auditors were administrative ones and these have been addressed and a number of other actions have been completed and others underway. He added that the Home to School Transport Team are now working with the Council's Taxi Licensing Service Team as the Auditors noted there was insufficient engagement. The

Auditors also picked up that the policy in relation to the complaints process was not clearly signposted on the Council's website. He reported there will be continual training for staff; recruitment to build their own Team; to work with systems and schools more closely; and bring in an additional automated system to reduce human error, alongside the Adam system they already have;

- (vii) A member commented that he wished these issues could have been picked up a lot earlier and welcomed the disaggregation of the service;
- (viii) Another member queried how many people would be in the Team. The Assistant Director of Highways and Waste clarified there would be 18 people, with 2 Inspectors. Members were concerned that this had been a high risk since August and when would the job positions be filled, but this was dependent on the recruitment process but it was hoped this would be done by the end of March 2023;
- (ix) A member raised concerns in relation to procedures not being followed in relation to checking licences, operators and vehicles and stated that he understood from some operators that no one was visiting them. The Assistant Director of Highways and Waste would take these matters up with the member directly but confirmed that there was a process in place and checks were happening;
- (x) The Chief Internal Auditor confirmed that this Council would follow up recommendations set by West Northamptonshire Council and report back to the Committee. The Director of Place and Economy confirmed that 6 of the recommendations have been completed/substantially completed, 4 are part complete/will be completed by 31 December 2022 and 1 will be completed by 20 April 2023;
- (xi) The Assistant Director of Growth and Regeneration explained to the Committee the reasons for the recommendations of the S106 Agreements 2021/22 of high priority, being overdue for more than three months. This was due to the restructure of the service and a managerial post and the job evaluation and job matching process which was making steady progress, but not as quick as he would have liked. He also reported they had employed 2 members of staff and the recruitment had taken longer than anticipated. Unfortunately, one of the members of staff that was recruited had now left the Council. He added that whilst there has been a delay, significant progress had been made. He reported that there will be a centralised system and the procurement and discussions had taken place with the Transformation Team and IT regarding the implementation project and moving this forward. In the meantime, a centralised area had been implemented. It is not the best but it is an interim position to provide visibility across the Council and was a significant improvement over what was inherited. He anticipates all the work to be completed by the end of December 2022;
- (xii) In response to the Assistant Director of Growth and Regeneration's explanation, a member stated that members expect to receive communication regarding how S106 monies were being spent in their areas and was concerned that this information is still not being received;



- (xiii) The Assistant Director of Growth and Regeneration responded that the Planning Advisory Service would be looking at development contributions and this dialogue has been started for early next year. Another member commented that Parish Councils are not being consulted and considered there should be a system in place to share the information with members and the public. Members did not want to see S106 monies lost and if money has been allocated, for example to education, then that should be fully used for education. The Assistant Director of Growth and Regeneration responded that members had made valid points. He added that developers are generally open to discussions as they have their reputation to uphold and want to develop and sell homes in the future and it is of mutual interest to renegotiate when appropriate to do so. He added that a single IT platform will make it easier to access and share information in a timely manner;
- (xiv) The Assistant Director of Growth and Regeneration was asked if he was over ambitious when setting these due dates. In retrospect, he considered that it was difficult to predict the future and to establish the size of the problem in an unknown set of circumstances, together with the complexity of the task and depth of the issue. The Director of Place and Economy added S106s are high profile and it was imperative to get this resolved as soon as possible so the bar was set high to get this completed. It was anticipated that a significant amount of work will be concluded by Christmas 2022;
- (xv) The Executive Director of Customer & Governance (Monitoring Officer) was asked to explain the reasons for the overdue audit actions for more than three months, in relation to Enforcement Files 2021/22. She explained to the Committee that the reason this had not happened was due to a restructure in the service for the recruitment of an Assistant Director for Legal and Democratic Services. This role has now been recruited to and the work was being undertaken and would be completed by next week. The Executive Director of Customer & Governance (Monitoring Officer) added that she did not want to extend deadlines as these are taken seriously and the Assistant Director is now in post.

The Audit and Governance Committee:

- (a) Noted the progress report attached as appendix 1 to the report;
- (b) Approved the amendment to the Audit Plan for 2022/23 to remove the planned audit on Preparation for the Care Act Reforms and reallocate these audit days to an audit on secure use of Council bank accounts in adult social care settings.

## **86 Risk Register Update**

The Committee received a report from the Chief Internal Auditor with a quarterly update on the Council's Strategic Risk Register entries.

The Chief Internal Auditor presented the report and explained in detail the key areas and points and the update of entries contained in the report.

To assist the Committee, a summary had also been provided in the form of a heat map, showing the current scores in relation to the risk framework.

Arising from consideration of the report and discussion, the Chief Internal Auditor responded to questions of clarification and the following principal comments were made:

- (i) It was commented that the heat map was useful and should be maintained in the future for reporting to Committee, alongside the Strategic Risk Register entries and that future heat maps should show movements since the last report;
- (ii) Several members commented on the risk of the Children's Trust listed in the Strategic Risk Register, in relation to increasing the risk until the Committee receives assurance. In addition, another member queried if the Council manages to get assurance in other ways too, via Scrutiny Committees. A comment was also made about the risk factor to the Council's budgets. In response to the comments made above in relation to the Children's Trust, the Chief Internal Auditor stated that she would report this back to the Risk Lead Officer.

**RESOLVED:**

The Audit and Governance Committee:

- (a) Noted the risk management update.

**87 Audit Planning for 2023/24**

The Committee received a report from the Chief Internal Auditor with an overview of the proposed Audit Planning process for 2023/24 and to consult members on risk areas for consideration in the development of the Audit Plan.

The Chief Internal Auditor presented the report and explained the coverage of this work which needed to inform the end of year Annual Internal Audit opinion. She wanted to consult with the Committee on any risk areas for consideration in the development of the plan.

Arising from consideration of the report and discussion, the Chief Internal Auditor responded to questions of clarification and the following principal comments were made:

- (i) The Chair suggested further consultation with the Committee and suggested members be involved with a half day training session, for the purpose of developing the Audit plan for 2023/24 and also to include training for Audit Planning. Members welcomed this suggestion. This would take place in March 2023 and the outcomes reported to the Audit and Governance Committee on 24 April 2023;
- (ii) Two members were keen to see the Audit of Management of Capital Projects which was currently listed for Quarter 3 in the Annual Internal Audit Plan;

- (iii) The Chief Internal Auditor was thanked for her work;
- (iv) A member queried if the Audit for Northamptonshire Children's Trust was separate to this Audit Planning. The Chief Internal Auditor responded that we look at how it is managed and the Intelligent Client Function (ICF) forms part of the Council's assurance but she is hoping to gain more information from Northamptonshire Children's Trust, to inform her assurance at year end. The Executive Director of Finance and Performance (Section 151 Officer) added that this Committee needs assurance from Northamptonshire's Children's Trust and we would invite them again to address the Committee to determine if satisfactory assurance is able to be given.

**RESOLVED:**

The Audit and Governance Committee:

- (a) Noted the proposed approach to the development of the Internal Audit Plan for 2023/24;
- (b) Highlighted any risk areas for consideration in the planning process, which the Committee seeks assurance in the year ahead.

**88 Audit and Governance Committee - Annual Report 2021/22**

The Committee received a report from the Chief Internal Auditor informing the Council on the work of the Committee during the 18 month period to September 2022 in the form of an Annual Report for presentation to Full Council.

The Chief Internal Auditor presented the report and explained the coverage of the Annual Report and to aim to raise the profile of the Committee and the work that has been done both internally and externally.

The Chair then presented the Annual Report and talked about the significant amount of predecessor accounts that have been brought to Committee, the development of the effectiveness of the Committee and the good work of officers since its formation. In relation to the self-assessment of the Committee's effectiveness, the Chair reported that himself and the Vice-Chair would be meeting to discuss this and would feedback to the Committee at the half day training day discussed for March 2023, together with any further observations.

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

- (i) The Executive Director of Customer & Governance (Monitoring Officer) noted that the Annual Report would be presented to Full Council and informed the Committee that it was proposed that in future all Annual Reports would go to Full Council in March. The Chair responded that this first Annual Report was slightly different in that it was for a period of 18 months and that the timing of the report meant that it was more meaningful. The Senior Democratic Services Officer would consult with the Executive Director of Customer & Governance (Monitoring Officer) regarding the timing of the presentation of

the Annual Report to Full Council and the most effective time in the year for its completion and presentation;

- (ii) In relation to the self-assessment, a member commented that he would like to have seen further detail on the survey on the survey findings and actions. The Chair welcomed his comments and explained that the survey was not tailor made for this Committee as was originally intended, but a template that was used, so as not to delay the exercise. In future a tailored self-assessment could be used;
- (iii) Another member referred to the amount of work that had been carried out this year and gave his appreciation to the Chair.

**RESOLVED:**

The Audit and Governance Committee:

- (a) Approved the Annual Report for presentation to Full Council.

**89 Corby Borough Council - Draft Accounts 2020/21**

The Committee received a report from the Assistant Director of Finance and Accountancy to receive and approve the draft Statement of Accounts in relation to Corby Borough Council for 2020/21, for publication.

The Assistant Director of Finance and Accountancy presented the report and explained in detail the key areas and points within the accounts.

Arising from consideration of the report and discussion, the Assistant Director of Finance and Accountancy responded to questions of clarification and the following principal comments were made:

- (i) The Chair asked the Assistant Director of Finance and Accountancy to outline the plan to the Committee for the clearance of the audit of the accounts. In response, she advised that the audit was due to take place on 9 January 2023, for 8 weeks with no scope for movement. She added that she has had to ensure that the Team is set up ready to deal with the audit in a timely manner. She advised that she has agreed a plan of working with Ernst & Young (External Audit);
- (ii) The Assistant Director of Finance and Accountancy reported that the audit should be completed late February/early March with the intended final sign off of the accounts in April 2023.

**RESOLVED:**

The Audit and Governance Committee:

- (a) Noted the draft Statement of Accounts for the financial year 2020/21, for Corby Borough Council.

**90 Verbal Update from Grant Thornton (External Auditors)**

Paul Harvey (Grant Thornton- External Audit) gave a verbal update to the Committee. He reported that as the draft Statement of Accounts for Corby year end 31 March 2021, had not yet been delivered, Grant Thornton were prioritising on other audits and expect to present their Audit Plan to the Audit and Governance Committee on 20 February 2023.

He reported that they had been working on the IT audit and hoped to reach a conclusion to bring to the Audit and Governance Committee on 20 February 2023. Work had also been carried out on Value for Money (VFM) which was not tied up to the Financial Statement. A draft version of the report would be shared with officers for comment shortly. He advised that he could see no significant weaknesses to date but reported that he anticipated that there would be a number of improvement recommendations which is expected with this being the first year of the Council being in existence.

Paul Harvey reported that he had consulted with their quality team and could bring the report to the February Audit and Governance Committee meeting on 20 February 2023, even though Ernst & Young (External Audit) had not yet completed their 2020/21 Value for Money (VFM) work for the legacy Northamptonshire Councils.

Paul Harvey added that the position in relation to the treatment of infrastructure assets and the potential statutory override is not yet finalised and is expected to be settled by 25 December 2022.

The Chair asked Paul Harvey for an update on the recent report from the Financial Reporting Council (FRC) in relation to Major Local Audits and Audit Quality Inspection, and other audit quality reports and specifically the results for Grant Thornton. Paul Harvey reported that there had been 36 inspections and Grant Thornton were subject to 15 of those, which is a reflection of their market share. 12 were deemed passable at the minimum level and 3 had specific issues that did not meet the quality standards. A member commented on the 3 that did not meet the standards required. Paul Harvey advised that these are specific issues and gave the Pension Fund as an example, where they can change their processes and re-issue. He added that he was pleased with the outcome for Grant Thornton.

**91 Close of Meeting**

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Chair

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Date

The meeting closed at 4.23 pm

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## AUDIT AND GOVERNANCE COMMITTEE

20<sup>th</sup> February 2023

<b>Report Title</b>	<b>Audit Plan 2020-21 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>	
<b>Contributors/Checkers/Approvers</b>		
<b>North MO</b>		
<b>North S151</b>		
<b>Other Director/SME</b>	<b>N/a</b>	<b>N/a</b>

### List of Appendices

#### Appendix A – External Audit Plan 2020-21

#### 1. Purpose of Report

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- 1.1. The purpose of this report is to present the Audit Plan in relation to the Statement of Accounts for the Corby Borough Council for 2020/21 and the work currently being undertaken by the external auditor, Ernst & Young.

#### 2. Executive Summary

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- 2.1. The Council's external auditors will undertake work for the audit of the 2020/21 statement of accounts. The report set out what is involved and what the key deliverables are.

#### 3. Recommendations

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- 3.1. It is recommended that the Committee;

a) Note the Audit Plan for 2019/20 as shown in Appendix A.

- 3.2. Reason for Recommendations –

- For the Committee to exercise its duties and responsibilities within its Terms of Reference for considering reports of the External Auditor.

## **4. Report Background**

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- 4.1. The external auditor's report attached at Appendix A provides the committee with an outline of work to be undertaken for the external audit work for 2020/21.
- 4.2. The report highlights key consideration within the audit process in terms of the impact of key risks, such as the impact of Covid 19, value for money and materiality.

## **5. Issues and Choices**

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- 5.1. The report provides an outline to the external audit plan and process for 2020/21 for Corby Borough Council.

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

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### **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 specific to this report.

### **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**

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- 7.1. None



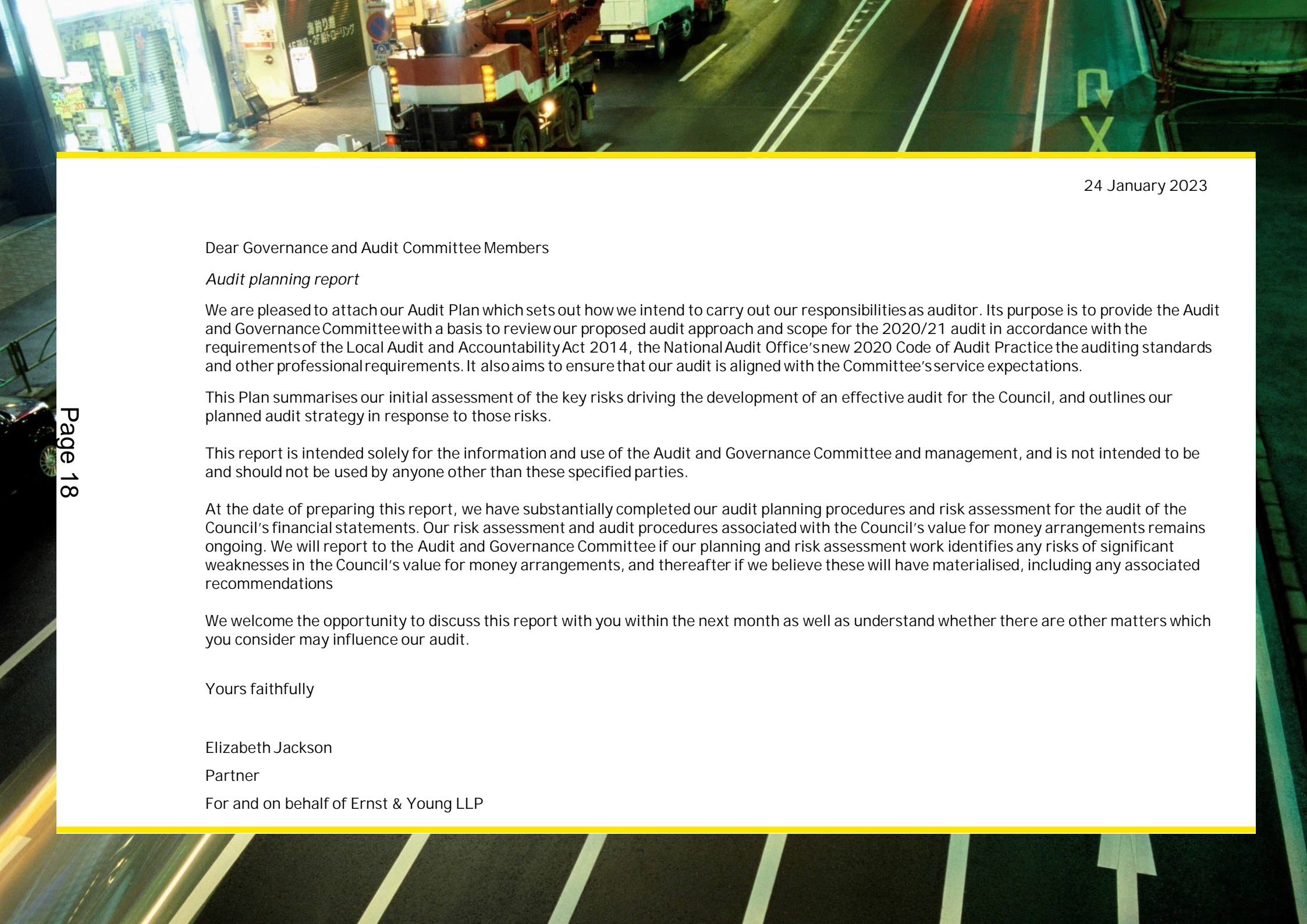
# Corby Borough Council Audit planning report

Year ended 31 March 2021

Presenting to North Northamptonshire  
Audit and Governance Committee



Building a better  
working world

A nighttime photograph of a street scene. In the foreground, a white truck with red accents is parked or moving slowly. The street has white lane markings and a green arrow pointing right with a yellow 'X' below it. In the background, there's a building with a sign that says '海防ビル' (Kaibou Building) and '27 28 29' below it. The scene is lit by streetlights and building lights.

24 January 2023

Dear Governance and Audit Committee Members

*Audit planning report*

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's new 2020 Code of Audit Practice the auditing standards and other professional requirements. It also aims to ensure that our audit is aligned with the Committee's service expectations.

This Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

At the date of preparing this report, we have substantially completed our audit planning procedures and risk assessment for the audit of the Council's financial statements. Our risk assessment and audit procedures associated with the Council's value for money arrangements remains ongoing. We will report to the Audit and Governance Committee if our planning and risk assessment work identifies any risks of significant weaknesses in the Council's value for money arrangements, and thereafter if we believe these will have materialised, including any associated recommendations

We welcome the opportunity to discuss this report with you within the next month as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Elizabeth Jackson

Partner

For and on behalf of Ernst & Young LLP

# 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 April 2018)” 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 Audit Committee 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 Audit Committee, 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 Audit Committee 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.



01

# Overview of our 2020/21 audit strategy



## Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change from assessment made in 19/20 audit	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Page 21 Appropriate capitalisation of revenue expenditure	Fraud risk	No change from assessment made in 19/20 audit	As noted above, under ISA240, management is in a unique position to perpetrate fraud through the override of controls. We have considered the main areas where Management may have the incentive and opportunity to do this. We have identified the inappropriate capitalization of revenue expenditure on property, plant and equipment as an area of risk, given the extent of the Council's capital programme.
Valuation of Investment Properties	Significant Risk	No change from assessment made in 19/20 audit	<p>The valuation of Investment Property represent significant balances in the Council's accounts. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is a risk Investment Property may be under/overstated or the associated accounting entries incorrectly posted.</p> <p>The risk is heightened for traditional retail assets due to market difficulties, partly arising from the advent of Covid-19 (C-19).</p>
Valuation of Council Dwellings	Significant Risk	New Risk in 20/21	<p>The valuation of Council Dwellings represent significant balances in the Council's accounts.</p> <p>Our initial planning work on the draft financial statements received for audit highlighted a year on year increase of £46m (18%) in the valuation of council dwellings when compared to the prior year. We have therefore assessed this as a significant risk to ensure the appropriate focus is given to it.</p>

## Overview of our 2020/21 audit strategy

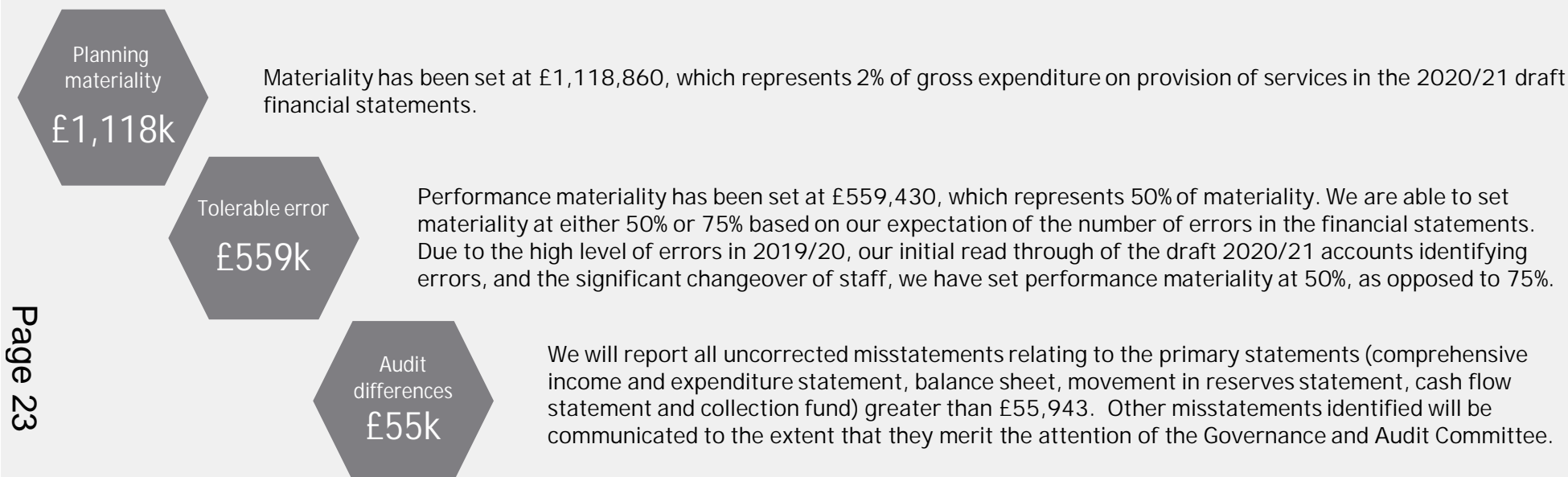
The following 'dashboard' summarises the significant accounting and auditing matters identified as a result of Covid-19. It seeks to provide the Governance and Audit Committee with an overview of any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Other Land and Buildings	Inherent risk	No change from assessment made in 19/20 audit	The value of Other Land and Buildings represents significant balances in the Council's accounts and is subject to valuation changes and impairment reviews. Management is required to make material judgements about key assumptions and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Recognition of grant income associated with Covid 19	Inherent risk	New Risk in 20/21	The Council has received additional funding in the form of grants as a result of the Covid-19. There is the potential for the recognition and treatment of these grants (including business rate related grants) to be manipulated to improve the reported position. We will consider the elements of grant income, their susceptibility to manipulation and the appropriate audit response. We will review the conditions and restrictions attached to the grants, the purpose of the grants and circumstances if the council acts as a principle or an agent.
Pension liability valuation	Inherent risk	No change from assessment made in 19/20 audit	The Council's pension fund deficit is a material estimated balance disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

# Overview of our 2020/21 audit strategy

## Materiality



## Initial audit findings for 2020/21

We received the draft 2020/21 accounts for audit on 24 November 2022. We communicated our planned audit visit timing for the 2020/21 audit well in advance of the accounts being prepared and asked management to meet this deadline for having all working papers ready for day one of the audit on 9 January 2023. We did not receive all working papers in line with this deadline and those that we have received are not of sufficient quality for us to undertake audit testing as needed. The overall quality of the working papers is poor and we have returned a large number of them to officers as they do not reconcile to the draft accounts. In addition, due to officer changes it is difficult for the current finance team to locate supporting evidence and answer queries about working papers and balances.

The overall quality of the draft 2020/21 accounts submitted for audit is also poor. Based on the Partner and Senior Manager read through of the accounts we have identified a number of errors within them. This includes inconsistencies in the figures and narrative, notes not casting and disclosures being incorrect for the Council. The accounts should have been subject to quality review before submission to audit.

The combination of the accounts and working papers issues has resulted in issues arising with the audit from day one and additional procedures needing to be undertaken. We will update you on progress of the audit at the February committee meeting.

# Overview of our 2020/21 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Corby Borough Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards. When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

## Value for Money Conclusion

One of the main changes in the NAO's 2020 Code is in relation to the value for money conclusion. We include details in Section 03 but in summary:

We are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on VFM and the associated risk assessment is now focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will be required to provide a commentary on the Council's arrangements against three reporting criteria:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Within the audit opinion we will still only report by exception where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The commentary on arrangements will be included in a new Auditor's Annual Report which we will be required to issue at the same time as we issue the audit opinion on the financial statements.





## 02 Audit risks



## Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error

\*

### What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

### What will we do?

- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Assessing accounting estimates for evidence of management bias, and
- Evaluating the business rationale for significant unusual transactions.

In addition to our overall response, we consider where these risk may manifest themselves and identify separate fraud risks as necessary below.

## Our response to significant risks

*Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure \**

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### Financial statement impact

Inappropriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.

### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

### What will we do?

Our approach will focus on:

- For significant additions we will examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16.
- We will extend our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.
- Journal testing - we will use our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

## Our response to significant risks

### Valuation of Investment Property (IP)

#### Financial statement impact

If investment Property were correctly valued this would have the impact of understating expenditure.

#### What is the risk?

Investment Property (IP) is a significant balance in the Council's Balance Sheet. The valuation of IP is complex and subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 (C-19) on markets might cause a valuer to conclude that there is a material uncertainty.

The risk is heightened for traditional retail assets due to market difficulties such as reduced consumer confidence and competition from internet based retailers with lower cost bases. This has led to a large number of retailers, including well known names, closing stores, going into administration or otherwise seeking to reduce their rental costs by renegotiating existing leases, perhaps by way of a Creditors Voluntary Arrangements. These difficulties have had a direct impact on the value of the retail units (high street shops, out of town retail parks and shopping centres) leased to retailers or owned by them.

#### What will we do?

We will:

- consider the competence, capability and objectivity of the Council's valuers (Wilks, Head & Eve);
- consider the scope of valuers' work;
- ensure IP has been annually revalued as required by the Code;
- consider if there are any specific changes to assets that should have been communicated to the valuer(s);
- sample test key inputs used by the valuer(s) when producing valuations;
- consider the results of the valuers' work;
- challenge the assumptions used by the Council's valuers by reference to external evidence and our EY valuation specialists (where necessary);
- test journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;
- test a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct; and
- review assets that are not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated.

## Our response to significant risks

### Valuation of Council Dwellings

#### What is the risk?

Council Dwellings with a total carrying value of £296 million has undergone a full revaluation during the year. This led to a significant movement of £46 million.

Due to the significance of the value and the increase as a result of the full revaluation, we have identified the valuation of this category of asset as a significant risk.

#### What will we do?

We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the valuation of property:

- Consider the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation;
- Test a sample of beacon properties to ensure that the value is in line with market value;
- Review assets that are not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated;
- Consider changes to the useful economic lives as a result of the most recent valuation;
- Test accounting entries, ensuring these have been correctly processed in the financial statements including testing the classification of assets; and
- We will consider if the valuation movements in the current year are indicative of errors in the prior year.

#### Financial statement impact

misstatements that occur in relation to the valuation of market based property assets could affect the balance sheet by materially misstating the valuation of these assets; and the income and expenditure account via the impact on depreciation charges.

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

### What is the risk/area of focus?

### What will we do?

#### *Valuation of PPE*

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and is subject to valuation changes and impairment reviews.

Management is required to make material judgements about key assumptions and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We will:

- Consider the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary – for example, significant or unusual movements in valuation, difficult to value specialist assets, or investments in areas of the economy under stress such as retail;
- Sample testing key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre);
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements.

#### *Recognition of grant income associated with Covid 19*

The Council has received additional funding in the form of grants as a result of the Covid-19. There is the potential for the recognition and treatment of these grants (including business rate related grants) to be manipulated to improve the reported position.

We will consider the elements of grant income, their susceptibility to manipulation and the appropriate audit response.

We will consider the Council's judgement on material grants received in relation to whether it is acting as:

- An Agent, where it has determined that it is acting as an intermediary; or
- A Principal, where the Council has determined that it is acting on its own behalf.

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

### What is the risk?

#### *Pension liability valuation*

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Northamptonshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### What will we do?

In order to address this risk we will carry out a range of procedures including:

- Liaise with the auditors of Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Corby Borough Council;
- Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by The National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

## Other areas of audit focus

### Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

We may place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.

We may provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradict them.

We may make more focused requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.

You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.

We may ask for new or changed management representations compared to prior years.





# 03 Value for Money Risks





## Background

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

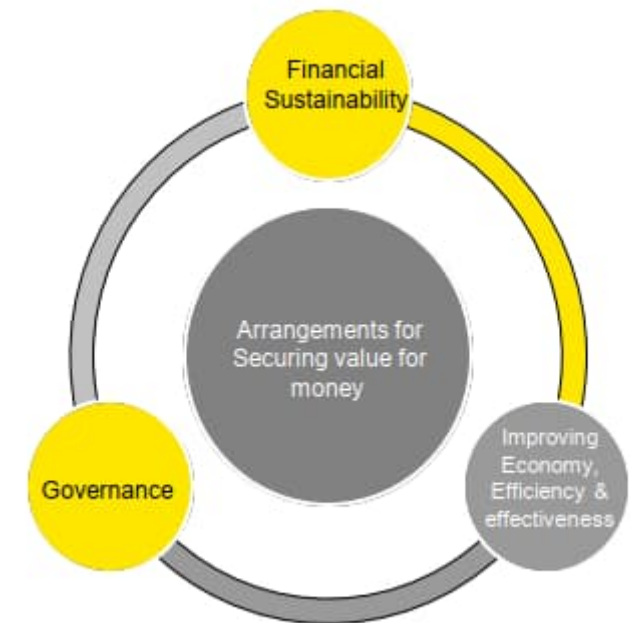
## Auditor responsibilities under the new Code

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On 1 April 2020, the NAO's new Code of Audit Practice (the 2020 Code) came into force. This sets out how local auditors are expected to approach and report their work on value for money (VFM) arrangements under the new Code and applies to audits of 2020/21 financial statements onwards. Under the 2020 Code, we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- *Financial Sustainability* – How the Council plans and manages its resources to ensure it can continue to deliver its services
- *Governance* – How the Council ensures that it makes informed decisions and properly manages its risks
- *Improving economy, efficiency and effectiveness* - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





## Planning and identify risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes –or could reasonably be expected to expose –the Council to significant financial loss or risk;
- Leads to –or could reasonably be expected to lead to –significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to –or could reasonably be expected to lead to –unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



# Value for Money

## Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Governance Committee and council.

## Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements. However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report.

The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

## Status of our 2020/21 VFM planning

We have yet to commence our detailed VFM planning. However, our initial risk assessment has resulted in the identification of a risk of significant weakness noted below.

## Significant Risk/Weakness

### What is the Significant Value for Money Risk?

During the course of the audit we identified that management had not undertaken a bank reconciliation throughout 2019/20 and 2020/21 financial year. As the bank reconciliation is a fundamental part of the control framework, and the lack of a bank reconciliation could have undermined any financial reporting, we consider that the Council did not have in place proper arrangements to make informed decisions.

### What arrangements does this risk affect?

- Governance
- Improving economy, efficiency and effectiveness

### What we will do

- We will:
- roll forward the work and conclusions formed as part of our review of the 2019/20 financial statements and update this based on the latest information received; and
  - consider the adequacy of managements plan to address the matter and action taken since the prior year, ensuring sufficient disclosure is made with the Council's annual governance statement.



04

# Audit materiality



# Materiality

## Materiality

For planning purposes, materiality for 2020/21 has been set at £1,118k. This represents 2% of the Council's gross expenditure on provision of services in the draft 2020/21 financial statements. It will be reassessed throughout the audit process.

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We request that the Governance and Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £559k which represents 50% of planning materiality. The lower level of the threshold has been selected based on the high level of error in the 2019/20 accounts, our read through of the draft 2020/21 accounts identifying errors before any audit testing has begun and the significant change in staff in the finance team.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Governance and Audit Committee, or are important from a qualitative perspective.



# 05 Scope of our audit



## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. *Financial statement audit*

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### *Procedures required by standards*

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

#### *Procedures required by the Code*

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

#### 2. *Arrangements for securing economy, efficiency and effectiveness (value for money)*

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.



## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

#### *Analytics:*

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Governance and Audit Committee.

#### *Internal audit:*

We will regularly meet with the Chief Internal Auditor, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



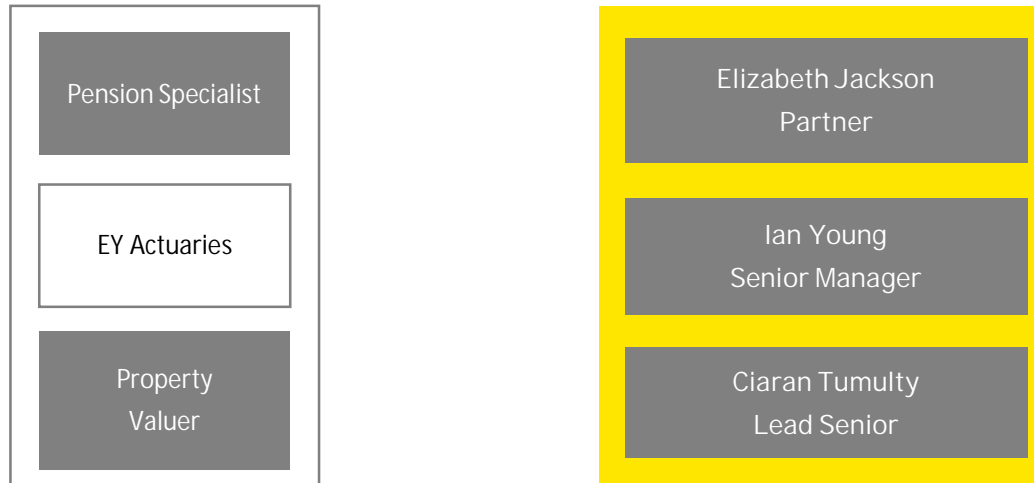
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Audit team



## Audit team

### Audit team structure:



### Working together with the Council

We are working together with officers to establish strong communication and processes for the 2020/21 audit.

We will continue to keep our audit approach under review to streamline it where possible as we are aware that the Council does not hold all information in the format that we require it to be presented for audit.

# Audit team and the use of specialists

The core audit team is lead by Elizabeth Jackson, Partner and Ian Young as Senior Manager.

### Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The area where either EY or third party specialists provide input for the current year audit is:

Area	Specialists
Pensions disclosures	Management specialist - Actuary - Hymans Robertson Auditor Specialist - EY Actuaries
Property valuation	Management specialist - Wilks Head & Eve Auditor Specialist - EY Real Estate Team

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



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07

# Independence



## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

### Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>▶ The overall assessment of threats and safeguards;</p> <p>▶ Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

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

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Elizabeth Jackson, your audit engagement partner and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, we have not undertaken any non-audit work, therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

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

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

## *Other communications*

### Transparency Report 2021

EY Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2022 and can be found here:

[EY UK 2022 Transparency Report | EY UK](#)



## UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it applied after 15 March 2020. The Ethical Standard has a general prohibition on the provision of non-audit services by the auditor (and its network) which applies to UK Public Interest Entities (PIEs). A narrow list of permitted services continues to be allowed. Note that currently the Council does not currently fall under the definition of a PIE.

### Summary of key points

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
  - Tax advocacy services
  - Remuneration advisory services
  - Internal audit services
  - Secondment/loan staff arrangements

▪ An absolute prohibition on contingent fees.

▪ Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential

▪ Permitted services required by law or regulation will not be subject to the 70% fee cap.

▪ Grandfathering was applied for otherwise prohibited non-audit services that were open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.

- A requirement for the auditor to notify the Audit and Governance Committee where the audit fee might compromise perceived independence and the appropriate safeguards
- A requirement to report to the Audit and Governance Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor.

### Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2019.

We do not currently provide any non-audit services which would be prohibited under the new standard.



08

Appendices



## Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table below.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Fee - Scale Fee	39,692	39,692	39,692
Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk (see next page)	To be confirmed	To be confirmed	To be confirmed
Changes in scope	To be confirmed	-	To be confirmed
<b>Total audit fees</b>	<b>To be confirmed</b>	<b>To be confirmed</b>	<b>To be confirmed</b>

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

*We do anticipate scale fee variations 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 our read through of the accounts and the poor quality working papers provided for audit.*




We will report our proposed variations to officers and the Governance and Audit Committee at the conclusion of our 2020/21 audit and before we submit to PSAA for approval and determination.

## Required communications with the Governance and Audit Committee





We have detailed the communications that we must provide to the Governance and Audit Committee.







Our Reporting to you

Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach <span style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 52</span>	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process.</li> </ul>	Audit Results Report


## Required communications with the Governance and Audit Committee (continued)



		 Our Reporting to you
<i>Required communications</i>	 What is reported?	  When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Audit Plan</p> <p>Audit Results Report</p>
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>• Enquiry of the Governance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance and Audit Committee may be aware of</li> </ul>	Audit Results Report
Internal controls	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report

## Required communications with the Governance and Audit Committee (continued)

		 Our Reporting to you
<i>Required communications</i>	 <i>What is reported?</i>	  <i>When and where</i>
Page 54 Misstatements	<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report
	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Corrected misstatements that are significant</li> <li>• Material misstatements corrected by management</li> </ul>	Audit Results Report
	<p>Fraud</p> <ul style="list-style-type: none"> <li>• Enquiries of the Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• A discussion of any other matters related to fraud</li> </ul>	Audit Results Report
	<p>Related parties</p> <ul style="list-style-type: none"> <li>• Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report

## Required communications with the Governance and Audit Committee (continued)

 Our Reporting to you

Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report
Auditors report	<ul style="list-style-type: none"> <li>• Key audit matters that we will include in our auditor’s report</li> <li>• Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit Results Report
Fee Reporting	<ul style="list-style-type: none"> <li>• Breakdown of fee information when the audit plan is agreed</li> <li>• Breakdown of fee information at the completion of the audit</li> <li>• Any non-audit work</li> </ul>	Audit Plan Audit Results Report

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## Audit and Governance Committee 20<sup>th</sup> February 2023

<b>Report Title</b>	<b>Internal Audit progress report</b>	
<b>Report Author</b>	<b>Rachel Ashley-Caunt, Chief Internal Auditor</b>	
<b>Contributors/Checkers/Approvers</b>		
<b>North MO</b>		
<b>North S151</b>		
<b>Other Director/SME</b>		

### List of Appendices

#### Appendix 1: Internal Audit progress report – February 2023

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

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- 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**

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- 2.1 The Internal Audit plan of work is subject to ongoing review and prioritisation to ensure it focuses on the Council's key risks. Good progress is being made on progressing planned audit work, and a number of grant certifications have also been completed during the period. Since the last meeting, five audit reports have been finalised and the key findings are summarised in Appendix 1.

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

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- 3.1 It is recommended that the Committee:

- a) Note the progress report attached as Appendix 1;
- b) Approve the proposed amendments to the 2022/23 Audit Plan in the postponing of audits on Fixed Assets, Recruitment and Partnerships.

- 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

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- 4.1 The Internal Audit service is progressing work from the audit plan. The key findings of five audit reports which have been finalised during the period are provided within Appendix 1 for the committee's information. Of the five reports finalised, one received an assurance opinion of Limited Assurance.
- 4.2 A copy of the planned schedule of work for 2022/23 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.
- 4.4 The report at Appendix 1 also includes the findings of the second rolling risk entry review. This is a new approach adopted for 2022/23 which seeks to give the Audit & Governance Committee assurance over the Strategic Risk Register entries. The approach and findings are detailed in section 4 and Table 2 of the report. The basis for selection of the risks to date has been to prioritise areas where the inherent risk was scored high, and therefore the controls listed are crucial in managing an intolerable level of risk.
- 4.5 The Internal Audit plan should remain subject to review throughout the financial year to ensure it remains focused on key areas of risk and responds to changes in the risk and control environment. Amendments are proposed, based on discussions with senior management, and supported by the Chief Internal Auditor, as follows:
- The planned internal audit coverage of fixed assets may duplicate some work of external audit and year end work in quarter 4 and, as such, it is proposed that assurance be taken from the work of the external auditors with no additional internal audit coverage at this time;
  - A new e-recruitment system is currently being implemented and, as such, associated processes will change. Therefore, it is proposed that the audit of Recruitment be postponed to 2023/24, when the audit testing will look at the new/current processes and controls and how these are be applied going forward; and
  - A new position of Head of Performance, Intelligence and Partnerships has been created. Pending the role being filled and changes in structure, it is proposed that the Partnerships audit be postponed until 2023/24.
- 4.6 Some of the key audit assignments delivered during the last quarter have taken additional time and resource to deliver due to a wide number of issues and complications including multiple systems/processes to audit rather than a single set of key controls. There have also been a number of additional grants requiring urgent internal audit review, which has diverted audit days from planned work. The proposed postponing of the audits above could assist in covering the audit days needed in these areas.

## **5. Issues and Choices**

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- 5.1 The report provides an update on delivery of the internal audit work for 2022/23. There Committee is invited to consider and approve the proposed amendments to audit coverage.

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

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### **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**

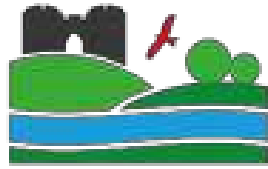
- 6.7.1 None specific to this report.

## **7. Background Papers**

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- 7.1 None.

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**North  
Northamptonshire  
Council**

# Internal Audit Progress Report

## February 2023

## 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 The Internal Audit team is working on the delivery of the planned audit assignments for 2022/23. At the time of reporting, 51% of the assignments for delivery by the Internal Audit team are completed to final or draft report stages. A further 42% is in fieldwork and review stages and 7% in subject to planning work.
- 2.2 A full copy of the current audit plan is provided as Table 3, on pages 9 to 16 of this report.

## 3. Key findings

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

### **Governance of shared and delegated services – Inter Authority Agreement**

In readiness for unitary status, an exercise was undertaken to plan the future of services previously delivered by county / district and borough councils. A blueprint document setting out the service treatment for each function was approved by the Shadow Executive of North Northamptonshire Council (NNC) in September 2020. Based on the blueprint, 49 services at vesting day were set up to be delivered through either a hosted or lead authority arrangement between West Northamptonshire Council (WNC) and NNC, although it is acknowledged that this number has now reduced due to services being disaggregated over the last 18 months. This delegation arrangement for service delivery was captured in an Inter Authority Agreement (IAA).

The review has found a good control environment is in place based on the IAA, which sets out the terms and conditions under which the aggregated services will be delivered and governed. Since the IAA was agreed, a number of developments have taken place to enhance the control environment for the IAA including (a) agreeing the terms of references for the relevant board / committee, (b) producing and implementing a plan to support disaggregation of hosted services, and (c) developing service plans for those areas included in the IAA that were not planned to be disaggregated in the first year of the new Councils.

However, the review has highlighted the following key weaknesses in current arrangements:

- Due to a lack of clarity and understanding around roles and responsibilities, a number of financial charges covering 2021/22 IAA activity have not been transacted throughout the year, although they have been taken into account for the year end position. Corporate

Finance from both councils have taken the lead in completing this exercise and were seeking to complete all transactions by the end of December 2022.

- Whilst performance reports to the Joint Committee indicate strong performance with ad-hoc concerns around individual indicators, Internal Audit do not believe the current suite of indicators provide a meaningful assessment of performance. The review also found gaps in performance report coverage as the team responsible for collating performance are not notified of changes in the services whose performance should be assessed.
- There are gaps in reports received by the Joint Committee, when compared with its terms of reference in that no routine information is currently provided around the financial aspects of the IAA and an annual report for 2021/22 has not been produced by the Committee for each of the Councils.

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

Internal Audit Assurance Opinion	
Control Environment	● Satisfactory
Compliance	● Satisfactory
Organisational Impact	● Minor

### Ethical governance – Member Officer protocol

The Council must ensure that there is an appropriate ethical and corporate governance framework in place to ensure that all Members and officers (known as public office holders) comply with the Seven Principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty, leadership).

The Member Officer Protocol forms part of the corporate governance framework and is included as part 8.4 of the Council’s Constitution. The Protocol is designed to provide a guide to good working relations between Members and officers, to define their respective roles and provide some principles for governing conduct.

The objective of this audit was to confirm that the working relationships between Members and officers are managed in accordance with the Member Officer Protocol. The results of audit testing provided assurance that the framework outlined in the Protocol to regulate the interaction between Members and officers, particularly around information provided by officers and maintenance of political neutrality, is being complied with. There is also a process for raising disputes, although the audit has made some recommendations for providing greater clarity on what formal action may be taken, records maintained and feedback provided. The three disputes that were reported as far as the Monitoring Officer have highlighted the need for some further training to be delivered, which the Monitoring Officer is currently progressing.

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

Internal Audit Assurance Opinion	
Control Environment	● Good
Compliance	● Substantial
Organisational Impact	● Minor

## Leisure provision

There is currently a mixture of models used to deliver leisure services across North Northamptonshire, with in-house provision utilised in the Corby locality and a number of contracts in place across the other localities.

A summary of the main leisure facilities currently available in the various localities is as follows:

- Corby – Priors Hall Golf Course, Corby Pool and Lodge Park Sports Centre.
- East Northants – Nene Centre (Thrapston), Splash (Rushden), Pemberton Centre (Rushden) managed by
- Freedom Leisure.
- Kettering – main sports hall and theatre located at the Leisure Village managed by Arena Sports.
- Kettering - Desborough Leisure Centre, Kettering Pool & Corn Market Hall managed by Legacy Leisure until 30th September 2022 and then transferring to Freedom Leisure.
- Wellingborough – Waendel Leisure Centre, Redwell Leisure Centre managed by Places for People.

An exercise to harmonise the various contract management arrangements in place at the legacy Councils has recently taken place and a new process was implemented from April 2022, which incorporated wider use of contract management software that was already in use at East Northants.

The scope of the audit was to provide assurance over the Council's arrangements for managing leisure contracts. In overall terms, the audit confirmed that there are robust processes in place to monitor the performance of contractors delivering leisure services. Contractors are required to submit quarterly performance reports that are discussed at formal meetings. There is also a comprehensive programme of quarterly site visit inspections undertaken by the Council for all leisure sites managed by contractors. The audit has identified some areas where monitoring arrangements could be improved, chiefly around the level and quality of information provided in contractors' quarterly performance reports.

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

Internal Audit Assurance Opinion	
Control Environment	● Substantial
Compliance	● Good
Organisational Impact	● Minor

## Waste management

Waste Management Services are key Council services based in the Place & Economy Directorate. In the context of local government organisation, the service structure is unique when taking account that the service is based around the coming together of five legacy Council arrangements with different delivery models, as well as services delivered through contracts with external providers.



To support the management of the service, a risk register has been developed which has identified five specific risks to the service. The review has focused on providing assurance over the effectiveness of systems and controls in place to mitigate against the risks occurring.




Overall, the high level control environment is considered to be good, with largely effective controls across the areas reviewed. Areas identified for potential improvement related to further developing standard operating procedures and completing composition analysis of non-recycled household waste, both of which were already in progress at the time of the audit, together with introducing a health and safety inspection programme across the service, both for in-house delivery and for third-party contractors.

Levels of compliance were also considered to be good, based on testing of a sample of invoices and processes for safe working practices, with no issues of non-compliance identified.

It was noted that there are clear and detailed plans for migrating the legacy council services to a single NNC operational model and work is already progressing well to implement this plan.

This audit sought to provide high level assurance over the management of the service area. It is intended that future audit work will focus further on contract management arrangements to provide assurance over specific controls operating to ensure performance, cost and statutory compliance are suitably monitored and delivered.

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

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

### Asset management – leased assets

The Council holds a significant non-residential assets portfolio (around 780 leased assets were found as part of this review) let to individuals and organisations. These are referred to as 'leased assets' within this audit but also includes those on a licence or other agreement. The leased assets are held by different Service Areas, with the Asset Management Team managing a large proportion of the portfolio largely comprising of retail, office, industrial units and three business centres. Internal Audit were advised that the 2022/23 income forecasted for the commercial portfolio is around £13 million.

The objective of this review was to provide assurance over the processes and controls in place for the leased assets. This review found several issues, all of which generally stemmed from two major root causes; lack of strategy, policies and procedures and concerns over information management.

Currently there is no one strategy encompassing all aspects of leased assets and only legacy procedures for some processes. It is understood that some historic policies had been in

place at the legacy councils and it is a management expectation that officers should be continuing to apply these in their management of assets. A single, North Northamptonshire Council strategy should inform the direction taken with the leased assets, whilst also bringing consistency to processes, and application of controls, and outlining responsibilities.




The leased asset data is held over multiple sources reducing the ability for complete and consistent oversight of these assets and increasing the risk that there is no single source of truth. The information is also not as complete as expected, for example, there is no centralised information detailing which assets should be subject to a regular service charge or insurance rent, or charging of VAT. This also risks a lack of oversight to ensure all properties have a valid legal agreement in place and to co-ordinate regular rent reviews – with gaps noted in these areas in sample testing.

At the time of the audit, no unit inspections had been completed since the COVID-19 pandemic. It is understood that parade inspections have taken place but are not documented. A lack of inspection regime increases both financial risk to the Council, as the tenant may have breached their legal agreement - such as making structural changes, and reputational risk, as tenants / use of the property may not be as agreed.

Legislation, effective from April 2023, will require all leased assets to hold a minimum Energy Performance Certificate (EPC) rating of E. A high priority recommendation has been raised to adopt an evidenced programme for the 140 properties (caveated due to information management concerns as above) which are recorded as having an EPC of F, G or no rating.

The Asset Management Team have completed the first stage of the restructure, with tier 4 and tier 5 appointed. The Head of Asset Management was appointed in September 2022 and they are already aware of the need to consolidate teams, policies and processes and will be considering aspects found from this audit as part of their restructuring process in order to provide support for each area.

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

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

## 4. Rolling risk reviews

- 4.1 As part of this year’s Internal Audit plan, rolling risk reviews have been introduced. These are intended to provide real time assurance to the Committee over the Council’s Strategic Risk Register entries.
- 4.2 The Risk Register was developed further earlier this year and now includes scoring of both inherent and residual risk. The residual risk should reflect the current risk exposure, on the basis of the identified controls in place to manage the inherent risk. As such, reliance is placed on those identified controls to manage the risk to this level. The objective of these

rolling risk entry reviews is to confirm that those controls are in place, as stated, and are operating in accordance with the description on the risk register.

- 4.3 The risk selected for review was Risk 4 - Disruption to service delivery and community due to unplanned incident or emergency. This was selected on the basis that the inherent risk score given is 20 and the listed controls are relied upon to reduce this to a residual risk of 12. An audit on Business Continuity Management was included in the 2022/23 audit plan but it was proposed that assurances over existing controls could be gathered through this rolling risk review and the remaining audit days can then be used to pro-actively engage and support development work, in an advisory capacity, in the final quarter of the financial year.
- 4.4 For the risk entry, evidence of each of the listed controls was reviewed and assigned a RAG (red, amber, green) rating based on the findings. All controls were assessed as 'green' – as all appear to be in place and operating as stated. There were six recommendations made to clarify and expand upon the risk entry references. The full findings are provided in Table 2 on pages 19 to 24.

## **5. Implementation of recommended actions**

- 5.1 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.
- 5.2 Since the last Audit and Governance committee meeting, 39 open actions have been confirmed as implemented – an overview is provided in Table 3 of this report. There are currently 61 recommendations which are overdue for implementation.
- 5.3 To provide the Committee with further detail on high risk actions which remain overdue for more than three months, full details are provided in Table 4, with latest updates from officers. There are four such actions at this time.

## **6. Refreshing audit plan coverage**

- 6.1 The Internal Audit plan should remain subject to review throughout the financial year to ensure it remains focused on key areas of risk and responds to changes in the risk and control environment. Amendments are proposed, based on discussions with senior management, and supported by the Chief Internal Auditor, as follows:
- The planned internal audit coverage of fixed assets would duplicate some work of external audit and year end work and, as such, it is proposed that assurance be taken from the work of the external auditors with no additional internal audit coverage at this time;
  - A new e-recruitment system is currently being implemented and, as such, associated processes will change. Therefore, it is proposed that the audit of Recruitment be postponed to 2023/24, when the audit testing will look at the new/current processes and controls and how these are be applied going forward; and
  - A new position of Head of Performance, Intelligence and Partnerships has been created. Pending the role being filled and changes in structure, it is proposed that the Partnerships audit be postponed until 2023/24.

6.2 Some of the key audit assignments delivered during the last quarter, such as Asset Management, have taken additional time and resource to deliver due to a wide number of issues and complications including multiple systems/processes to audit rather than a single set of key controls. There have also been a number of additional grants requiring urgent internal audit review, which has diverted audit days from planned work. The additional audit days could be covered by the amendments proposed in 6.1, above.

**Table 1: Progressing the Annual Internal Audit Plan**

**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>											
Governance of shared / delegated services	Q3							Satisfactory	Satisfactory	Minor	See section 3
Partnerships	Q4							Postponement recommended, pending appointment to Head of Performance, Intelligence and Partnerships role			
Ethical governance - values	Q2							Consultancy review			Reported in November 2022
Ethical governance – Member Officer protocol	Q3							Good	Substantial	Minor	See section 3
Oversight of post case review								Covered by external audit in Value for Money work.			

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
<b>Risk management</b>											
Real time risk assurances	All year							See Table 2 for latest outcomes			
Risk management and legacy issue support / reporting	All year							Consultancy support			
<b>Corporate compliance with key controls and policies</b>											
Fees and charges	Q1							Satisfactory	Satisfactory	Minor	Reported in November 2022
Procurement compliance – report 1	Rolling							Satisfactory	Good	Minor	Reported in November 2022
Staff recruitment	Q3							Postponement recommended pending implementation of new e-recruitment system.			
Use of temporary staffing / agency workers	Q1										
Performance management	Q4										
PCI DSS compliance	Q4										
Contractor health and safety	Q2										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Contract extensions	Q3										
<b>Grant claims</b>											
Supporting Families	All year										Q1, Q2 and Q3 submissions signed off for claim.
Covid Outbreak Management Fund	Q1										Declaration completed
Homelessness prevention grant											Declaration completed
Rough Sleeper Initiative	Q1										Declaration completed
Protect and Vaccinate	Q1										Declaration completed
Test and Trace	Q1										Declaration completed
Disabled Facilities Grant	Q2										Declaration completed
Bus Service Operators Grant	Q2										
Adult Weight Management Services Grant	Q4										Declaration completed
Local Transport Capital Funding	Q2										Declaration completed

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
<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.											
Treasury management	Q1							Substantial	Substantial	Minor	Reported in September 2022
Creditors	Q4	To be delivered by host authority's internal audit team – Cambridgeshire County Council									
Government Procurement Cards (GPCs)	Q1							Good	Satisfactory	Minor	Reported in September 2022
Debtors	Q4	To be delivered by host authority's internal audit team – Cambridgeshire County Council									
Payroll	Q4	To be delivered by host authority's internal audit team – West Northamptonshire Council									
Main accounting system	Q4										
Bank reconciliations (Q1)	Q1							Good	Good	Minor	Reported in September 2022
Local taxation	Q4										
Housing benefit	Q4										



Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Pensions	Q4	To be delivered by host authority's internal audit team – West Northamptonshire Council									
Fixed assets	Q4							External audit / year end coverage in Q4 – internal audit work cancelled to avoid duplication.			
Budgetary control	Q4										
<b>Adults, Health Partnerships and Housing Priorities and Risks</b>											
Direct payments	Q1							<b>Good</b>	<b>Good</b>	<b>Minor</b>	Reported in November 2022
Adult safeguarding	Q4										
Adult Social Care – Target Operating Model	Q1							<b>Satisfactory</b>	<b>Satisfactory</b>	<b>Moderate</b>	Reported in September 2022
Approved Mental Health Professionals	Q3										
Housing repairs	Q3										
Voids management	Q3										
Rent arrears	Q2										
Leisure provision	Q2							<b>Substantial</b>	<b>Good</b>	<b>Minor</b>	See section 3

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Local bank accounts (Adults)	Q4										
External placements	Q3										
Homelessness and Temporary Accommodation	Q4										
<b>Public Health</b>											
Commissioning and contracting in Public Health	Q3										
<b>Place &amp; Economy Services Priorities and Risks</b>											
S106 monitoring – follow up	Q4										
Management of capital projects	Q3										
Asset management – leases	Q2							<b>Limited</b>	<b>Limited</b>	<b>Moderate</b>	See section 3
Business continuity	Q4										
Fleet & fuel management	Q3										
Climate change strategy	Q4										
Planning fee income	Q2										




Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Waste management service	Q2							Good	Good	Minor	See section 3
Asset Management – compliance	Q4										
Project Management Office (consultancy support)	Q4										As required
<b>Children's and Education services</b>											
Schools thematic audit	Q3										All school audits completed
Children's Trust commissioning and governance	Q4										
Early years providers	Q2										
Engagement with schools forum and pro-active support (including Schools Financial Value Standard)	All year										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
<b>ICT and Transformation</b>											
ICT – Asset management	Q2							Satisfactory	Satisfactory	Moderate	Reported in September 2022
ICT – Access controls	Q2							Satisfactory	Satisfactory	Moderate	Reported in November 2022
ICT – Cyber security	Q2							Satisfactory	Satisfactory	Moderate	Reported in November 2022
ICT – Disaster recovery	Q2										

### 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 are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended either no, or only minor, errors have been detected.
<b>Good</b> ●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
<b>Satisfactory</b> ●	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
<b>Limited</b> ●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
<b>No</b> ●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

<b>Organisational Impact</b>		
<b>Level</b>		<b>Definition</b>
<b>Major</b>		The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
<b>Moderate</b>		The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
<b>Minor</b>		The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

**Table 2: Latest risk entry review**

Risk Register Ref.	Risk	Owner
4	Disruption to service delivery and community due to unplanned incident or emergency.	Executive Director of Place & Economy

Assurance and Findings				
Key Control Reference	Key Control	Sources of assurance	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
1.	Workforce planning.	None.	● Green	<p>The main sources of assurance for workforce planning are not recorded in the Risk Register and comprise:</p> <ul style="list-style-type: none"> <li>• The (emergency, on call) Duty Officer Rota.</li> <li>• Strategic &amp; Tactical Emergency Management training delivered by the Emergency Planning College in July 2022.</li> </ul> <p><b>Internal Audit recommend the risk entry is amended accordingly.</b></p> <p>Further, it is noted that the BC steering group terms of reference do not include any responsibility for ensuring suitably robust workforce planning arrangements are maintained in this area and <b>Internal Audit recommend this is added to the remit of the group.</b></p>
2.	Training plans.	NNC has an established BC steering group to coordinate and oversee the development	● Green	<p>The action recorded in the Risk Register to carry out a cyber attack exercise programme across each service area is in progress and this is being used to, not only to raise awareness of</p>




Assurance and Findings				
Key Control Reference	Key Control	Sources of assurance	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
		of BC arrangements across the organisation.		<p>one of the key risks to service disruption but also, to embed wider aspects of business continuity good practice. BC steering group minutes show that the group is overseeing delivery of this training.</p> <p>In addition, BC steering group minutes confirm that a formal training needs analysis has been completed and a detailed, formal training programme will be rolled out in 2023/24.</p> <p>As mentioned under Risk 1 above, Strategic &amp; Tactical Emergency Management training delivered by the Emergency Planning College in July 2022 is not currently reflected as a source of assurance.</p>
3.	Effectively managed BC programme.	NNC has an established BC steering group to coordinate and oversee the development of BC arrangements across the organisation.	● Green	<p>As per the mitigating action recorded in the Risk Register, ongoing delivery of the BC work programme is being directed and overseen by the BC steering group, as evidenced in the steering group minutes and supporting papers.</p> <p>Work completed to date includes a BC plan template and an assessment tool that is currently being rolled out, together with the continuing rollout of a cyber security training exercise programme across service areas.</p> <p>It is noted that there is no reference in the risk register to the controls in place to address the</p>



Assurance and Findings				
Key Control Reference	Key Control	Sources of assurance	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
				Council's dependency on third party contractors e.g. key contractors being required to provide a copy of their BCPs as part of compliance with the Contract Procedure Rules. <b>Internal Audit recommend that the risk entry is suitably amended to reflect this contractor risk.</b>
4.	Adequate investment to address critical resilience issues;	<p>NNC has an established Critical Incident Plan which is supported by emergency management arrangements to provide a core capability for the management of disruptive incidents.</p> <p>NNC has an established BC steering group to coordinate and oversee the development of BC arrangements across the organisation.</p>	● Green	<p>There is a critical incident plan in place that is subject to regular review. In addition, rollout of the cyber security training exercise programme is identifying any current issues that need to be addressed.</p> <p>For 2022/23, a significant task has been completing the disaggregation of the Emergency Planning service and NNC investing to ensure the area is an adequately resourced service. However, identifying suitable candidates to fill vacancies is currently a problem but this is not reflected in the Risk Register. <b>Internal Audit recommend that the action being taken to address current resourcing issues is recorded in the risk entry.</b></p> <p>In addition, it is noted that the BC steering group terms of reference do not explicitly cover any responsibility for assessing whether</p>

Assurance and Findings				
Key Control Reference	Key Control	Sources of assurance	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
				adequate investment is being made to address critical resilience issues and <b>Internal Audit recommend this is added to the remit of the group</b> and the wording of the control amended to reference that adequate resourcing is achieved through monitoring by the BC steering group and the Critical Incident Plan.
5.	Defined, established and rehearsed emergency management processes.	<p>NNC has an established Critical Incident Plan which is supported by emergency management arrangements to provide a core capability for the management of disruptive incidents.</p> <p>These arrangements have been validated by incidents in the last 12 months. Where lessons were identified, action is underway to address these issues.</p>	● Green	<p>There is a Critical Incident Plan in place that has been approved by the BC Steering Group. It is currently going through its annual review (as per the related action in the Risk Register), including being renamed as the Incident &amp; Emergency Incident Plan. The scope of this review is documented and includes taking account of lessons learned from recent incidents. The Plan is further supported by a Corporate Business Continuity Plan.</p> <p>There have been several incidents affecting the Council over the past year and the lessons learned from these are captured and presented to the BC Steering Group for discussion. There are also horizon scanning, scenario-based desktop exercises reviewed at these meetings, which focus on emerging risks such as the potential for power black outs this winter.</p>

Actions Status				
Key Control	Action	Owner	Timescale	Latest status
3.	Ongoing delivery of the BC work programme under direction of BC steering group	Head of Emergency Planning & Community Resilience	Mar-23	Work completed to date includes a BC plan template and an assessment tool that is currently being rolled out, together with the continuing rollout of a cyber security training exercise programme across service areas. Further work still required to implement a revised business continuity planning process, for which a formal delivery plan has yet to be produced.
2.	Conduct cyber attack exercise programme.	Head of Emergency Planning & Community Resilience	Mar-23	This is currently being rolled out across service areas, with some exercises completed and others yet to be completed.
3.	Roll out of BC assessment tool and plans template	Head of Emergency Planning & Community Resilience	Mar-23	BC plan template and assessment tool developed and in process of being rolled out across service areas.
4.	Review of NNC Critical Incident Plan	Head of Emergency Planning & Community Resilience	Mar-23	Currently going through the annual review process.

RAG Rating Indicator Values & Assurances	
 Red	Control is not present or not currently operating.
 Amber	Control is not operating fully or consistently in line with risk register entry.
 Green	Control in place and evidenced as operating as stated.

**Table 3: 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>	13	72%	18	27%	8	54%	39	39%
<b>Actions due within last 3 months, but not implemented</b>	1	6%	19	28%	5	33%	25	25%
<b>Actions due over 3 months ago, but not implemented</b>	4	22%	30	45%	2	13%	36	36%
<b>Totals</b>	18	100%	67	100%	15	100%	100	100%

**Table 4: ‘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)
Enforcement files 2021-22	Legal Services	<p>Risk assessment form</p> <p>The risk assessment forms for enforcement cases should be adopted and consistently applied. Spot checks by management should seek assurance over the consistent completion of these forms and the judgement applied.</p>	<p>Policy/procedure and ancillary documents – consultation has now finished. Policy/procedure/forms (forming part of the wider Legal Services Office Manual) will be in final form and rolled out at date below.</p> <p>N.B: This is an organic document and it is intended that policies/procedures be reviewed periodically and amended if/where necessary. Mechanism for review will be as set out in the Legal Services Office Manual.</p> <p>Anticipated date: w/c Monday 13th February 2023 due to the organic nature of the document.</p>	Assistant Director – Legal and Democratic Services	May 2022	February 2023
Enforcement files 2021-22	Legal Services	<p>Data retention</p> <p>Processes must be implemented to apply data retention policies for the data within the case management system. All historic data from legacy systems must be subject to this same policy.</p>	<p>Policy/procedure and ancillary documents – closing form shall include a link to the corporate retention schedule (in which Legal &amp; Democratic services have an area) and the form has sections which lawyers are expected to complete in order to advise support colleagues as to the relevant dates for their matter. In addition, opening/closing procedure will form part of the wider Legal Services Office Manual.</p> <p>Anticipated date: w/c Monday 13th February 2023 due to the organic nature of the document.</p>	Assistant Director – Legal and Democratic Services	June 2022	February 2023

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	<p>Intelligent Client Function</p> <p>To develop a framework for assessing the effectiveness of the Client Function</p>	<p>On-going - Bevan Brittan were instructed to provide advice which was provided on 19/12/2022. The advice stated that the Councils should:</p> <ol style="list-style-type: none"> <li>1. Enter into an Interface Agreement (inter authority agreement)</li> <li>2. Document and agree an operational document that governs the role of the ICF so that the split of liabilities and governance arrangements between the Councils and the ICF are more clearly understood.</li> </ol> <p>This advice was discussed at the Joint Officer Board on 19th January 2023 with further actions agreed to be reported back on at the meeting in Feb 2023. A revised timescale will be agreed with Joint Officer Board to prepare a report which defines the roles and responsibilities of the Client Function, sets out metrics / mechanisms to assess its effectiveness and describes an annual review process as recommended by the audit report.</p>	Director of Children's Services / Assistant Director Commissioning and Partnership	31/08/2022	TBC
Governance of Children's Trust 2021-22	Children's Services	<p>Service delivery contract</p> <p>Development of detailed protocols for issues such as unregulated or unregistered placements and Ofsted inspections.</p>	<p>On-going - The ICF are working with the Councils and NCT to review and agree amendments to arrangements for ICF assurance of NCT services delivered on behalf of the Councils. This will include data provided by NCT, regular deep dives into thematic areas, refreshing KPI's and targets/tolerances and case tracking completed by ICF staff. This will ensure that robust scrutiny and assurance of NCT's activities in delivering services for which the Councils, through their respective Directors</p>	Director of Children's Services / Assistant Director Commissioning and Partnership	30/09/2022	TBC

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
			<p>of Children's Services have statutory responsibilities for. It is hoped that this work will be completed by March 2023. Legal advice will be instructed to support the implementation of this work as and when required.</p>			

## ***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.



## Audit and Governance Committee 20<sup>th</sup> February 2023

<b>Report Title</b>	<b>Presentation of Northamptonshire Children's Trust Audit Report 2021-22</b>	
<b>Report Author</b>	<b>AnnMarie Dodds, Executive Director of Children's Services</b>	
<b>Contributors/Checkers/Approvers</b>		
<b>North MO</b>		
<b>North S151</b>		
<b>Other Director/SME</b>		

### List of Appendices

**Appendix 1: NCT 21-22 Internal Audit Summary**

**Appendix 2: NCT Audit Tracker Jan 2023**

**Appendix 3: Summary of Northamptonshire Children's Trust Governance Arrangements**

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

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1.1 To present Northamptonshire Children's Trust Audit Report for 2021-22.

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

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2.1 Northamptonshire Children's Trust delivers statutory social care services on behalf of North and West Northamptonshire Councils. The relationship between the Councils and Northamptonshire Children's Trust is governed by a set of contractual agreements.

2.2 At the meeting of the Audit and Governance Committee in September 2022 a series of reports were presented by the Executive Director of Children's Services and Chief Executive of Northamptonshire Children's Trust. Members of the Committee were able to scrutinize these reports and resolved to note the contents of the reports.

2.3 This report presents the Northamptonshire Children's Trust Audit Report for 2021-22, an update on previously agreed actions and a summary of the Trusts governance arrangements as previously agreed with the committee.

#### **3. Recommendations**

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3.1 It is recommended that the Committee:

a) Note the contents of the report and attached appendices

### 3.2 Reason for Recommendations –

- For the Committee to exercise its duties and responsibilities.

## **4. Report Background**

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4.1 Following a statutory direction from the Secretary of State for Education, Northamptonshire County Council established an operationally independent but wholly council-owned company to deliver children's social care services. Northamptonshire Children's Trust (NCT) was established on 1st November 2020 and was a company limited by guarantee that was initially wholly owned by Northamptonshire County Council.

4.2 As part of this arrangement, statutory responsibility for children's services remains with the Council's Director of Children's Services. NCT is operationally independent, and a set of contractual agreements exist between NCT and the Council with the aim of ensuring NCT develops and provides high quality social care services to children and young people in Northamptonshire within the financial resources made available to it.

4.3 On 1st April 2021, ownership of NCT transferred to North and West Northamptonshire Councils as part of the transition to unitary Councils. North Northamptonshire Council acts as the 'Host Council' for managing the relationship with NCT including contract management arrangements. North Northamptonshire Council employs a team called the 'Intelligent Client Function' which manages the relationship with NCT.

4.4 At the meeting of the Audit and Governance Committee in September 2022 a series of reports were presented by the Executive Director of Children's Services and Chief Executive of Northamptonshire Children's Trust. Members of the Committee were able to scrutinize these reports and resolved to note the contents of the reports.

## **5. Issues and Choices**

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5.1 This report presents the Northamptonshire Children's Trust Audit Report for 2021-22.

5.2 There are no alternative recommendations arising from this report, but the Committee may wish to raise queries or request further clarifications, as appropriate.

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

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### **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**

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7.1 None.

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# BDO INTERNAL AUDIT - SUMMARY OF CONCLUSIONS

Northamptonshire Children's Trust

2021/22

IDEAS | PEOPLE | TRUST



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# SUMMARY OF 2021/22 WORK

## Internal Audit 2021/22

This report details the work undertaken by the BDO co-sourced internal audit for Northamptonshire Children's Trust (NCT or 'the Trust') and provides summary findings of the effectiveness of the controls in place for the full year in relation to the reviews undertaken by BDO. Internal Audit has been provided to NCT via a co-sourced engagement between the Internal Audit Shared Service and BDO. The following reports have been issued for this financial year:

### Issued in final by BDO

- Policies and Procedures
- Creditors
- Scheme of Delegation
- Target Operating Model
- Budget Management
- Cyber Security Essentials
- Placements Contract Management
- CareFirst
- Social Care Transport
- Foster Care and Special Guardianship Payments
- Payroll.

### Issued in final by the Internal Audit Shared Service

- Organisational Governance (Functions of the Board).

We have detailed the conclusions of each report and key findings on pages 6 - 12. Our internal audit work was completed over the 12-month period from 1 February 2022 to 20 January 2023 and was carried out in accordance with the internal audit plan agreed and approved between the Internal Audit Shared Service, Trust management and the Finance, Resources and Audit Committee. BDO had no input in the development of the 2021/22 audit plan for the Trust. There were no restrictions placed upon the scope of our audit work complied with Public Sector Internal Audit Standards.

## Summary

The role of internal audit is to conduct reviews for the Trust, through the Finance, Resources and Audit Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed only. The report summarises our work on the adequacy and effectiveness of the organisation's arrangements in relation to the work undertaken. It also summarises the activities of internal audit for the period. In reaching our conclusions, we conducted:

- An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit plan completed by BDO

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- This conclusions has taken account of the relative materiality of these areas and management's progress and willingness in respect of addressing control weaknesses (however, our role did not involve conducting formal follow-up of recommendations).

Overall, we are able to confirm:

- For the year 2021/22, 12 audit reports have so far been issued in final. Of these reports, seven relate to processes or services that are owned by NCT (Policies and Procedures, Scheme of Delegation, Target Operating Model, Budget Management, Organisational Governance, Placements Contract Management and Foster Care and Special Guardianship Payments). The remaining five are services that are provided to NCT by WNC or NNC via the service contract (Creditors, Payroll, Cyber Security Essentials, CareFirst and Social Care Transport)
- Of the seven audits that relate to processes owned by NCT, all seven were given either good or satisfactory assurance for both adequacy of system (Good: 5, Satisfactory: 2) and compliance (Good: 5, Satisfactory: 2)
- Of the seven audits that relate to processes owned by NCT, none were judged to have a major organisational impact (Moderate: 4, Minor: 3)
- Of the five audits that relate to services provided to NCT via the service contract, one received substantial assurance for adequacy of system (creditors) and one received substantial assurance for compliance (Payroll). However, the remaining three received limited assurance for either adequacy of system (CareFirst) or compliance (Social Care Transport), or in one case for both (Cyber Security Essentials)
- Whilst 18 essential and 24 important recommendations have been raised across all reports issued in final or draft, management and officers have demonstrated high levels of engagement and a willingness to take action to improve the adequacy of controls and compliance with those controls. This is evidenced with regard to the CareFirst report, where management are already engaging in discussions with the Council about replacing the CareFirst system, and with the Social Care Transport service which is a high priority area for the Council
- Our experience attending three NCT Finance, Resources and Audit Committees has evidenced a strong committee that questions and holds to account management and the internal audit service on the reports being presented. However, if we were engaged with providing the internal audit service to the Trust from the start of the year, we would also be conducting follow up of audit recommendations to confirm they have been implemented, which is a vital part of the internal audit process. This has not been part of our engagement to date and is not something we have witnessed taking place. We therefore cannot give a view on the completeness of implementing audit actions, meaning it does not form part of our annual opinion
- External audit have highlighted to us the high level of engagement they have had with NCT's senior management and their willingness to support the audit process. These discussions did not highlight any areas of significant or unmanaged risk which might impact the level of assurance we could provide
- In June 2019, prior to the formation of Northamptonshire Children's Trust, children's services at Northamptonshire County Council were assessed as 'Inadequate' by Ofsted. Since this assessment, there have been three visits to the authority, with the report from the latest visit being published in March 2021. This visit found the 'stable and committed senior leadership team is steadily achieving improvements in the quality of services for children in care'. Northamptonshire Children's Trust was subsequently assessed as 'Requires Improvement to be Good', indicating that improvements have been made since the prior assessment.
- Our Target Operating Model audit found that reporting on operational performance takes place regularly each month against an established set of KPIs, as agreed with the Councils. The audit found that the Trust was largely meeting KPIs, or within the agreed tolerance for each indicator, and where KPIs were not met, commentary was provided to evidence the steps being taken to improve performance



- 
- The Annual Report of the Service Delivery Contract between NCT and West and North Northamptonshire Councils shows that the Trust had an approximate £1m overspend for the 2021/22 financial year against a budget of £123m. This is mitigated by a carry forward reserve of £1m from the period November 2020 - March 2021, giving the Trust a balanced financial position for the period from when the Trust was formed to the end of March 2022
  - Overall, while there remain some gaps and risks, our work has concluded that NCT has generally been able to maintain reasonable controls, particularly given the infancy of the organisation and complex environment NCT finds itself in as a result of the formation of the two unitary councils and the disaggregation of services taking place across the unitaries
  - We were not appointed until February 2022 and delivered the work largely after the end of the financial year. Therefore, whilst we looked back at the year in question when completing our work, we were not in place throughout the year to observe the organisation. This places limitations on our knowledge of the organisation and its culture over the period to which our work relates and our conclusions are only in relation to the work undertaken by BDO.

# REVIEW OF 2021/22 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)			Summary of Key Findings / Recommendations
	E	I	S	Adequacy of System	Compliance	Organisational Impact	
Issued in final by BDO							
Policies and Procedures	-	2	-	Satisfactory	Good	Moderate	<p>Policies and Procedures are a key aspect of good governance to help ensure that objectives and responsibilities are achieved, are lawful and timely and that public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.</p> <p>Overall out audit found that whilst there was good levels of compliance with the requirements of policies which were included within our sampling, we found there to be no systematic process for monitoring policies and ensuring they are reviewed and updated in a timely manner. This resulted in our assessment of satisfactory assurance for adequacy of system and good assurance for compliance, with a moderate organisational impact.</p> <p>We raised two important recommendations to improve how policies are monitored and updated within the Trust and to ensure that all policies are compliant with key legislations, such as GDPR requirements.</p>
Creditors	-	1	-	Substantial	Good	Minor	<p>The purpose of this audit was to provide assurance that accounts payable transactions are being processed in line with the SLA in place between the Trust and WNC, and that there are sufficient KPIs within the SLA and reporting on these KPIs to monitor performance of the service.</p> <p>Overall, our audit found that whilst there were robust procedures and controls embedded within the SLA to ensure timely and accurate payment to NCT's creditors, we identified one instance in our sample testing of 20 payments where the invoice was paid at a higher value to what was on the goods received note, with no evidence available which explained the discrepancy. This resulted in our assessment of substantial assurance for adequacy of system and good assurance for compliance, with a minor organisational impact.</p> <p>We raised one important recommendation to ensure that any discrepancies between</p>

							purchase orders, invoices and goods received notes are investigated and resolved prior to payment being made.
Scheme of Delegation	-	3	-	Good	Satisfactory	Moderate	<p>The Scheme of Delegation (SOD) should provide clear limits for individuals and committees' authority within the organisation. The purpose of this audit was to provide assurance that the SOD has been formally defined and is operating effectively.</p> <p>We found that whilst the SOD has been formally approved, there is no clear review process to ensure it is kept up to date. Whilst we did not identify any instances where individuals were approving outside of their delegated authority, our sample testing did find that operational processes performed by staff did not consistently agree with the processes recorded within the SOD. This resulted in our final assessment of good assurance for adequacy of system and satisfactory assurance for compliance, with a moderate organisational impact.</p> <p>We raised three important recommendations to implement a systematic review process to ensure the SOD is kept up to date, complete a one-off full review of the operational processes contained within the SOD to ensure they are appropriate and to provide training to staff to ensure they are following the processes accurately.</p>
Budget Management	-	2	-	Good	Good	Moderate	<p>Effective budget management ensures that available resources are prioritised appropriately to enable an organisation's objectives to be met. The purpose of this audit was to provide assurance that there are sufficient controls in place to set appropriate budgets and monitor performance against these budgets through the year.</p> <p>Our audit identified that overall budgets are being met and there is effective monitoring of performance against budgets. However, we found that budget holders are not consistently engaged in the budget setting process from the beginning and are not provided with a suitable level of training to enable them to effectively discharge their responsibilities for budgeting. This resulted in our final assessment of good assurance for adequacy of system and good assurance for compliance, with a moderate organisational impact.</p> <p>We raised two important recommendations to ensure that at the start of the annual budget setting process that all budget holders are engaged with and asked for their input, and that all of these budget holders are provided with more in-depth financial training.</p>
Cyber Security Essentials	10	3	-	Limited	Limited	Major	Information Technology (IT) systems enable the Council to provide its critical services to its customers and are used to collect, process and retain ever increasing amounts of confidential information. The vulnerabilities that exist in these IT systems, as well as the infrastructure that supports them, combined with a

							<p>perceived lack of awareness regarding security issues, have led to attackers targeting public organisations and may expose the Council to the risk of a cyber security attack. The purpose of this audit was to appraise the design and operational effectiveness of the Council's and Trust's cyber security arrangements in place for four out of 10 cyber security steps, specifically: Network Security, Malware Prevention, Mobile Working and Incident Management.</p> <p>Our audit identified a lack of documented policies and procedures to manage network security and define responsibilities. The Network Security Policy was in the early stages of development. Whilst there were technical controls in place to monitor and protect the network perimeter, and an anti-malware solution in place, we identified a number of key areas where controls could be further improved including unsupported systems, log monitoring and cyber incidents management.</p> <p>We also found discrepancies when reconciling the devices on Active Directory to the device listing from Trend Micro. There were several instances where key modules within Trend Micro were outdated, with not all systems being updated. Our review of the Active Directory device listing also noted several systems running Windows 7, Windows Server 2008 and XP which last had user activity between April 2021 - May 2022 and is no longer supported by Microsoft.</p> <p>This resulted in our final conclusion of limited assurance for adequacy of system and limited assurance for compliance, with a major organisational impact.</p> <p>We raised 10 essential and three important recommendations, which included but was not limited to ensuring the Network Security Policy is updated, establishing a Cyber Security Working Group, putting in place IT automatic updates for all windows clients, developing a remote working policy and regularly monitoring InTune to determine device compliance.</p>
Placements Contract Management	-	6	1	Satisfactory	Satisfactory	Moderate	<p>Children and young people may be put into a range of different residential settings including foster care and independent support accommodation. In these instances, individual placement agreements (IPAs) are established per child and include details of the contract including costs. The purpose of this audit was to provide assurance on the adequacy of arrangements for managing outcomes and monitoring costs of placement contracts.</p> <p>Our audit found that in all cases tested as part of our sample testing there was evidence of a best match form being completed and approval for the placement was provided in line with the scheme of delegation. However, we found that currently there is no placement review and approvals panel meeting to monitor placements. There was also one missing IPA for an in-house residential placement and not all best match forms were signed by social workers to evidence their review. This resulted in our final assessment of satisfactory assurance for adequacy of system,</p>

							and satisfactory assurance for compliance, with a moderate organisational impact.
CareFirst	4	2	2	Limited	Satisfactory	Moderate	<p>We raised six important recommendations which included ensuring social workers sign all best match forms and implementing the Access and Resources Panel with responsibility to review the appropriateness of and approve placements.</p> <p>CareFirst is a web based, multi modular Case Management system commonly used by the Council and Trust to record care arrangements, statutory interventions and related events pertaining to Social Care Service Users. In addition to case recording, CareFirst has functionalities which enable the Council and Trust to control payments to external care providers and the delivery of Services to meet assessed needs.</p> <p>The objective of this audit was to consider whether appropriate control is being exercised over the CareFirst system, including access rights, contingency planning, disaster recovery and data integrity and that interfaces to and from other systems are accurate and properly controlled.</p> <p>Our review found that for a sample of 10 users the security declaration and mandatory training for using the system had been completed Furthermore, data entry procedures are documented and available to users on SharePoint. Data input is also reviewed by senior officers before processing any payments.</p> <p>However, since the formation of WNC, NNC and NCT, the roles and responsibilities for system support management have not been clearly defined to ensure effective use of resources, and arrangements for user access are being duplicated with managers having to raise additional requests for new or leaving users. Leavers are also not being removed from the CareFirst system, with there being 1,116 users who have not logged in to the system, and some users who have not logged in for up to 3,877 days, dating back to 2011.</p> <p>There is also no documentation of business continuity or backup arrangements. There was previously a failover server but this is no longer in place due to cost pressures, meaning there is no recovery option and a clear point of failure on the system.</p> <p>Overall the system is outdated and not user friendly, and due to the age of the system there are limited improvements that can be made.</p> <p>This resulted in our final assessment of limited assurance for adequacy of system and satisfactory assurance for compliance, with a moderate organisational impact.</p> <p>We raised four essential and two important recommendations. These included but were not limited to putting in place a user access management process and removing all inappropriate users, putting in place a contingency plan for continuing essential activities in the event of a system failure and clarifying all roles and responsibilities in relation to the system. There is also the need to undertake a</p>

							comprehensive review of the system to determine whether it can meet the needs of stakeholders, following which a plan should be put in place for the systems future.
Social Care Transport	4	4	4	Satisfactory	Limited	Major	<p>There is a statutory duty to provide travel arrangements for Children requiring it as part of their social care arrangements. The audit will seek to provide assurance that the Council has in place appropriate arrangements to commission transport with the safeguarding needs of children being a priority.</p> <p>Our testing identified that there are clearly documented transport policies and codes of conduct in place which highlight the responsibilities of stakeholders, including the controls that are in place to ensure the safeguarding of children, such as annual audits carried out on providers.</p> <p>However, our audit found non-compliance with these processes and controls, including non-completion of audits for some providers and inconsistently documented spot checks.</p> <p>This resulted in our final assessment of satisfactory assurance for adequacy of system, and limited assurance for compliance, with a major organisational impact.</p> <p>We raised four essential and four important recommendations, which includes making sure that any actions required of providers that are identified during audits are followed up to confirm completion, ensuring that annual audits are completed for all providers, and agreeing a set of management KPIs that should be reported on a monthly basis to service management to monitor performance of the service.</p>
Target Operating Model	-	-	3	Good	Good	Minor	<p>Performance monitoring requires timely and accurate reporting of information to assess the Trust's performance against local and national indicators. The purpose of this audit was to provide assurance the performance management processes in place are sufficient to provide accurate, timely and reliable assurance to senior management and the Board.</p> <p>Our audit identified that whilst there is a service contract which details local and national indicators that should be reported against monthly, the contract has not been subject to its annual review to confirm these indicators and reporting processes are up to date. Furthermore, whilst there is an agreed process for preparing KPI reports, these are not documented and are the responsibility of a single individual, which could present an issue if the individual involved leaves unexpectedly. This resulted in our final assessment of good assurance for adequacy of system and good assurance for compliance, with a minor organisational impact.</p> <p>We raised no essential or important recommendations, but three standard recommendations were raised, including to ensure clear procedures and guidance are in place for producing performance reports and to ensure there is documented</p>

							approval of reports before they are issued to committees for consideration.
Foster Care and Special Guardianship Payments	-	-	2	Good	Good	Minor	<p>Both foster carers and special guardians are paid, as a minimum, an allowance. These are paid on a weekly basis whilst additional ad hoc payments may also be made, such as around the child's birthday, festivals such as Eid and Christmas as well as, in some instances, initial clothing grants. Expenses are also able to be claimed, with the biggest expense being mileage. The Trust must have sufficient controls to ensure timely and accurate payments are made.</p> <p>Our audit identified that sufficient documentation was in place to evidence new and ceased carers were being processed accurately, that one-off expenses were processed in line with agreed procedures and that in any instances where overpayments were made, processes were followed to rectify these. However, we noted that documented policies and procedures were overdue for review and payment reconciliation forms were not being signed to evidence appropriate review was taking place.</p> <p>We raised no essential or important recommendations, but two standard recommendations were raised. These included updating policies and procedures and implementing document control, and ensuring payment reconciliations are reviewed and signed off each week by a supervisor.</p>
Payroll	-	-	1	Good	Substantial	Minor	<p>An important part of employee management is ensuring timely and accurate payments are made each month which align with Trust employee contracts. The Trust procures its payroll service from WNC as part of the Service Level Agreement between the organisations.</p> <p>Our audit identified that sufficient KPIs are built in to the SLA between WNC and NCT and that sufficient controls are in place to identify significant errors in payroll data. However, due to the design of the payroll controls, there is a risk that lower value inaccuracies in the payroll data could be present, potentially resulting in incorrect payments being made to staff.</p> <p>We raised no essential or important recommendations, but one standard recommendation was raised. This recommendation involved completing a full review of the payroll data to identify any lower value inaccuracies which could be processed each month to identify whether further controls need to be considered.</p>
Issued in final by Internal Audit Shared Service							
Organisational Governance (Functions of the Board)	-	1	4	Good	Good	Minor	The Trust is managed by an independent board of Executive and Non-Executive Directors, to ensure operational independence. The Board is the responsible body for the performance of the Trust in terms of delivering its legal and contractual obligations and achieving outcomes for children and young people in

						<p>Northamptonshire. The purpose of this audit was to provide assurance over effectiveness of governance arrangements, as overseen by the Board.</p> <p>This audit found that whilst governance measures are largely robust and compliance with these measures was good, there was no terms of reference which brought together the duties of the Board, as documented in the articles of association and service delivery contract, together in one place. This, along with other minor findings identified during the audit, resulted in a final assessment of good assurance for adequacy of system and good assurance for compliance, with a minor organisational impact.</p> <p>One important recommendation was raised for the Board to develop and approve a comprehensive terms of reference which should set out all duties and responsibilities of the Board and be periodically reviewed.</p>
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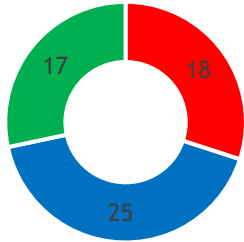
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# SUMMARY OF FINDINGS

## RECOMMENDATIONS AND ASSURANCE DASHBOARD

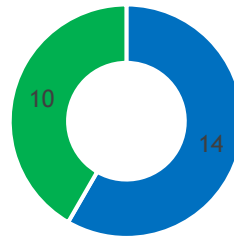
### Recommendations 2021/22

Recommendations across all reports



■ Essential ■ Important ■ Standard

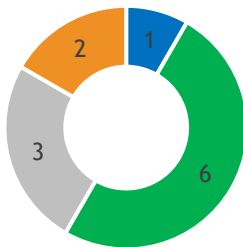
Recommendations for Trust specific reports (seven reports)



■ Important ■ Standard

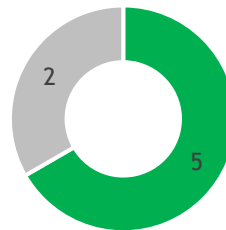
### Adequacy of System 2021/22

Adequacy of system assurance across all reports



■ Substantial ■ Good ■ Satisfactory ■ Limited

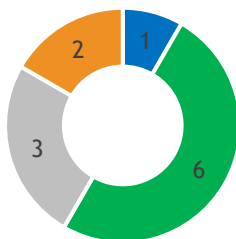
Adequacy of system assurance across Trust specific reports (seven reports)



■ Good ■ Satisfactory

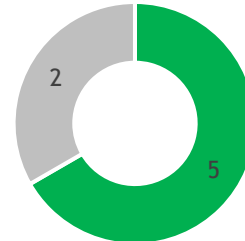
### Compliance 2021/22

Compliance assurance across all reports



■ Substantial ■ Good ■ Satisfactory ■ Limited

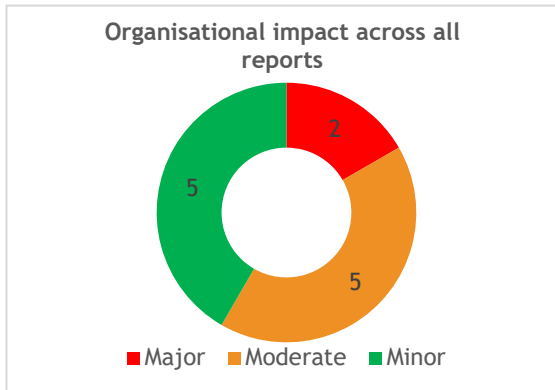
Compliance assurance for Trust specific reports (seven reports)



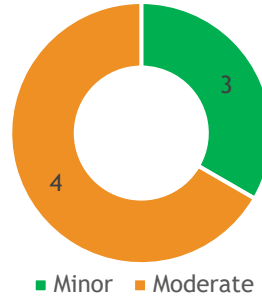
■ Good ■ Satisfactory

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**Organisational Impact**  
2021/22



Organisational impact across Trust specific reports (six reports)



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# ADDED VALUE



## USE OF SPECIALISTS

We undertook two IT reviews this year (Cyber Security and CareFirst) and deployed an IT specialist to undertake the work.



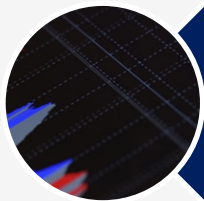
## RESPONSIVENESS

We ensured we were responsive to the Trust's needs by amending timelines and being receptive of requests for additional services, such as the provision of the annual audit opinion.



## BEST PRACTICE

All audit findings and recommendations take in to consideration best practice identified from previous reviews across our client base, and where appropriate we share specific examples of this best practice, such as in the Social Care Transport report.



## INNOVATION

As noted above, we utilised our audit days to ensure areas of highest risk were covered. Additionally, we undertook data analytics where possible including in Creditors and Payroll.

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## KEY THEMES



### PEOPLE

The Trust welcomed internal audit and largely provided us with time and support during our reviews. However, finance training for budget holders could be improved as stated in the Budget Management report.



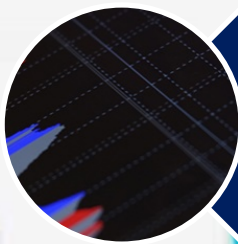
### SYSTEMS & PROCESSES

Whilst we identified that the systems and processes were largely operating effectively, there were some areas for improvement such as the compliance with the documented procedures within the Scheme of Delegation.



### POLICES & PROCEDURES

Overall, policies and procedures were in place. However, there was limited tracking and monitoring of these policies to ensure they are kept up to date.



### GOVERNANCE & FOLLOW UP

Governance processes were largely robust with formal reporting lines established. This will be important in ensuring audit actions are implemented on a timely basis. However, to be fully effective it is important to hold Internal Audit to account and obtain further insights in to the quality of their work. Whilst this year the audits were delivered in a short space of time and the focus was on completing audits, moving forwards it would be important to establish KPIs for the audit service to monitor performance.

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# BACKGROUND TO SUMMARY

## Introduction

Our role as co-sourced internal auditors to Northamptonshire Children's Trust is to provide a summary to the Board in relation to the reviews conducted by BDO, through the Finance, Resources and Audit Committee. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes for the reviews conducted only.

Our internal audit work for the 6-month period from 1 February to 11 August 2022 was carried out in accordance with the internal audit plan approved by the Internal Audit Shared Service and the Finance, Resources and Audit Committee. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

## Audit Approach

We have reviewed the control policies and procedures employed by Northamptonshire Children's Trust to manage risks in business areas identified by management set out in the 2021-22 Internal Audit Annual Plan approved by the Internal Audit Shared Service and Finance, Resources and Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Northamptonshire Children's Trust management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

## Reporting Mechanisms and Practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

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Our method of operating with the Finance, Resources and Audit Committee is to agree reports with management and then present and discuss the matters arising at the Finance, Resources and Audit Committee.

**Management actions on our recommendations**

Management have generally been conscientious in reviewing and commenting on our reports. For the reports that have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are expected.

**Relationship with external audit**

All our final reports are available to the external auditors through the Finance, Resources and Audit Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.



# APPENDIX I

REPORT OPINION SIGNIFICANCE DEFINITION				
Level of Assurance	Adequacy of System Opinion	Findings	Compliance Opinion	Findings
<b>Substantial</b>	There are minimal control weaknesses that present very low risk to the control environment.	There is a sound system of internal control designed to achieve system objectives.	The control environment has substantially operated as intended with no notable errors detected.	The controls that are in place are being consistently applied.
<b>Good</b>	There are minor control weaknesses that present low risk to the control environment.	Largely a sound system of internal control designed to achieve system objectives with limited exceptions.	The control environment has largely operated as intended although some errors have been detected.	Evidence of limited non-compliance with a limited number of controls that may put some system objectives at a low level of risk.
<b>Satisfactory</b>	There are some control weaknesses that present a medium risk to the control environment.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	The control environment has mainly operated as intended although errors have been detected.	Evidence of non-compliance with some controls that may put some of the system objectives at risk.
<b>Limited</b>	There are significant control weaknesses that present a high risk to the control environment.	System of internal controls is weakened with system objectives at risk of not being achieved.	The control environment has not operated as intended. Significant errors have been detected.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b>	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	Poor system of internal control.	The control environment has fundamentally broken down and is open to significant error or abuse.	Non-compliance and/or compliance with inadequate controls.

ORGANISATIONAL IMPACT DEFINITION	
<b>Major</b>	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
<b>Moderate</b>	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
<b>Minor</b>	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

RECOMMENDATION SIGNIFICANCE DEFINITION	
<b>Essential</b>	Action is imperative to ensure that the objectives for the area under review are met.
<b>Important</b>	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
<b>Standard</b>	Action recommended to enhance control or improve operational efficiency.

FOR MORE INFORMATION:

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Ref	Report issued	Audit	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date	Status
1	23-Jun-22	Creditors	WEAKNESS: Invoice paid through the system without a receipt or purchase order for the same value.  RISK: The absence of effective checking of purchase orders, goods received notes and invoices could lead to NCT overpaying or paying for duplicate items or invoices and susceptibility to fraudulent or non-authorized purchases. Lack of documentation to justify orders that are manually approved could lead to an absence of an audit trail at the NCT	The requisitioner and budget holder should check purchase orders and goods received notes against invoices before approving them for payment. Documentation that justifies payment of invoices that vary from the purchase order and goods received note should be retained to maintain an audit trail for accounts payable transaction. Additional guidance on this requirement should be issued to all whose role involves the checking and processing of purchase orders, goods received notes and invoices.	All staff to be reminded of the importance of checking receipt amounts on ERP and the correct matching to invoices on ERP Training notes to be amended accordingly Refresher training to be given to staff within the wider team that raise Pos Look at bringing the raising of all POs centrally within Payments Hub as currently staff within Children's Homes are raising requisitions (which is where the example in question occurred)	Important	Feroza Begum/Zoe Douglas	Partial implementation , review of payment hub to be complete by March 23	Completed - Training notes refreshed as part of budget management training. Additional project looking at payments hub and moving away from spreadsheet payments
2	10-Aug-22	Budget Management	WEAKNESS: Budget holders do not have any input into or involvement with the budget setting process.  RISK: There is a risk that budget holders do not fully understand the assumptions made in the creation of their budgets.	Budget holders should be involved in the budget setting process from the beginning, via consultation with the Finance team to discuss the requirements of their team and how this affects their budgetary requirements.	Budget setting has historically been without significant input from budget holders.  The process for the 23/24 contract sum is engaging with budget managers to develop service plans, priorities and mitigations.  Budget monitoring and engagement is improving, and this will be monitored.	Important	All SFBPs and FBPs	Completed	Engagement with Budget managers through training and development of forecasting work . SLT sessions as part of contract negotiations. Monthly budget session with Chief Exec, Director Finance ADs, Finance and HR
3	10-Aug-22	Budget Management	WEAKNESS: Budget holders do not receive training to complete this element of their role effectively. This has led to a lack of understanding around the budget setting process and the importance of budget monitoring.  RISKS: There is a risk that if budget holders do not receive appropriate training to help them carry out this element of their role, that budgets will not be monitored effectively, or may not be appropriate, leading to overspend versus the budget and financial loss to the Trust.	All staff who are required to undertake an element of budget setting or monitoring as part of their role should be provided with sufficient training to be able to complete this, which should be refreshed at appropriate intervals, to ensure that they understand the full process and their role within it.	Budget holders are all routinely offered training every month and Finance keeps a log of who has been trained. This log is shared monthly indicating which managers have submitted returns or not from the previous months. The turnover of staff has seen challenges in engagement period. Finance supported by SLT intends to ensure that every manager is mandatorily trained. Quarterly report will be submitted to SLT on compliance.	Important	Head of Finance	Completed	Budget Training sessions delivered to all budget holders in October and November. Part of the ongoing finance training for budget holders
4	23-Jun-22	Policies and Procedures	WEAKNESS: There is a lack of control and structure on the adoption and review cycles for key policies, with insufficient detail on when policies should next be reviewed and updated. This includes insufficient monitoring of when policies may need to be updated to reflect latest guidance or legislation, with policies not in line with GDPR requirements.  RISK: Without clearly defined review periods on all policies, there is a risk that policies could become outdated or not in line with current working practices or legislation.	The policy tracking spreadsheet NCT is drafting should be enhanced to ensure it contains full details on the following:  Policy title Policy owner and individual responsible for reviewing the policy Committee responsible for approving changes to policy Last review date Changes made in the last version update Policy storage location  Appendix 2 contains additional recommendations on enhanced document control which NCT should implement for all policies.  NCT should complete an enhanced analysis of all its policies for compliance against the relevant articles of GDPR. Policies that need to comply with GDPR should have a section dedicated to information on GDRP compliance. A formal process should be put in place to ensure that NCT's policies remain compliant with relevant articles of the GDPR.	A SharePoint site has been established containing all documents. A detailed overview document is being developed containing the information detailed in the recommendation.  Key policy documents will additionally be published on the NCT intranet site.  All policies will be reviewed annually and reported through the committee structure and board approval processes.  Changes to legislation, guidance or other developments, may require in year amendments outside of the annual review process. The approval again will follow the committee approval process.  The DPO and Caldicott guardian are reviewing all policies to ensure compliance with GDPR.	Important	(DPO) Andrew Tagg (Caldicott Guardian)/SLT	Dec-22	Review of all documentation undertaken and updated Site to go live in February 2023
5	23/06/22	Policies and Procedures	WEAKNESS: We identified gaps in the content of key policy documents where they are not in line with best practice and do not provide necessary guidance on certain legislations, such as GDPR  RISK: If policies are not comprehensive and in line with best practice, NCT may become non-compliant with legislation and staff may become non-compliant with key processes. These risks could ultimately impact NCT's ability to achieve its objectives.	NCT's procedure for reviewing and updating its policies should be amended to ensure it includes consideration of best practice policies and to ensure that input is obtained from both internal and external stakeholders. Reporting and monitoring should also be used to assess policy usage which can guide subsequent revisions.	A full review is underway of all policies and will be presented to the Finance, Resources and Audit Committee in September 2022.  This will form part of the Annual review process as detailed in action 1	Important	Andrew Tagg	Mar-23	All policy documents currently been reviewed against current legislation and to reflect the SOD and operational protocols within the Trust. A number of policies were adopted from County Council as at April 2021. All documents will be updated by the 31st March 2023. A annual cycle of review of all policies with a overarching summary on the SharePoint site, capturing version control date, date of review and adoption and next review date.

6	12/09/22	Scheme of Delegation	WEAKNESS: Whilst it is mentioned that the financial regulations including the SoD will be reviewed on a regular and timely basis, there are no defined timescales for when these updates will occur, with none having taken place since the original documents were approved in March 2021.  RISK: The Trust's SoD may become outdated and not reflective of current working practices, potentially resulting in financial loss to NCT as a result of fraud or error if delegations are not clearly understood.	As well as being subject to ad-hoc review as required, NCT's financial regulations and SoD should be subject to a period review. This should take place at least every three years, and annually to align with best practice. The review should confirm that the recorded delegations are still appropriate and conform to current legislation at the time of review.	As part of the governance arrangements the SOD will be reviewed at the March board meeting annually. The SOD will then be adopted for the proceeding financial year.  In year changes resulting from Statutory, Regulatory and Policy changes will be reported to the Finance, Resources and Audit committee. Any changes will then be ratified at the following board meeting.	Important	Andrew Tagg	Mar-23	Training Scheme of Delegation currently being reviewed to be presented to the board in March 2023 following approval by FRA committee on the 2nd March 2023
7	12/09/22	Scheme of Delegation	WEAKNESS: The processes documented in the SoD for the payment of invoices, raising of invoices, processing of new vendors and processing staff expenses are not being followed in practice. Furthermore, suitable evidence is not consistently obtained to substantiate staff expense claims, with our sample testing of 12 expense claims identifying two instances where receipt of the expense were not provided, and one additional instance where the value of the claim did not match the evidence provided.  RISK: The NCT's SoD will not reflect current practice and thus won't promote accountability and lead to operational inefficiencies. This could lead to internal practices that are inconsistent with NCT's values and non-compliance with relevant legislation and operational standards	A full review of the SoD should take place to ensure that the processes documented remain appropriate. If they are not, then the document should be updated to reflect actual practices staff should be adhering to.  Training and guidance should be rolled out to staff to ensure that processes in the reviewed and updated SoD are understood by staff and followed in practice.	A full review of the SoD will be completed by December 2022. The revised SoD will be reported to the March 2023 Trust board meeting for adoption for the 2023/24 financial year in accordance with the governance arrangements.  Training and Guidance is ongoing and rolled out across the Trust through the business partners. Should there be any changes to the SoD following the review the annual training programme will be amended accordingly.	Important	Andrew Tagg/Company Secretary	Mar-23	Scheme of Delegation currently being reviewed to be presented to the board in March 2023 following approval by FRA committee on the 2nd March 2023
8	23/09/22	Cyber Security	WEAKNESS: 4.1 We were provided with the Council's Major Incident Process which was last approved in March 2019 and last tested in April 2019. The Major Incident Process reflects the LGSS Major Incident Process. Our review of the Major Incident Process found it to note the role of key personnel as well as defining what constitutes a major incident. Although this covers Major Incidents (MI), there is no documented processes in place regarding how other incidents not classified as major incidents are handled. 4.2 Through discussions held with management, there is currently no formal internal group which meets regularly to discuss IT and cyber security related matters. We have been advised that once the new Head of Cyber Security comes into post in July 2022, the Council will establish a draft terms of reference for, and commence the first meetings for the proposed Cyber Security Working Group. RISK: Monitoring and reporting arrangements have not been clearly defined and are not regularly reviewed.	4.1 The Council should ensure it develops procedures to follow when dealing with all other incidents apart from major incidents. The procedure should make reference to how the Helpdesk system is used to manage all other types of incidents. 4.2 Once the new Head of Cyber Security has joined, the Council should ensure that a formal terms of reference is approved for the Cyber Security working group, and also ensure that the Group meets at an agreed frequency i.e. monthly, quarterly to discuss key IT issued and actions.	4.1 The Process will be updated, rebranded and include a reference to how other incidents are processed by the IT Service Management tool.  4.2 Agreed.	Important	Oli Makinson	In place	4.1 The process has been updated since the report was produced and is constantly under review.
9	15/12/22	Key Financial Systems Payroll	WEAKNESS: The payroll and variance reports run each month prior to payments being released to staff are not routinely signed by two officers to evidence that checks have been completed to confirm the completeness and accuracy of payroll data. RISK: Without these checks being completed and evidenced there is a risk that payroll data may be inaccurate or incomplete which could result in inappropriate payments being made to staff and potentially financial loss to the Trust.	All payroll and variance reports should be signed by two officers prior to payments being made to employees to evidence that checks have been completed to confirm the accuracy and completeness of payroll data. The KPIs within the SLA should be updated to include an indicator monitoring compliance with completing and signing off these reports each month.	Monthly meeting and review in place with NCT and Payroll. Review of SLA through the support services board	Important	Andrew Tagg	Feb-23	Process in place, variance reports received. Annual review of Kpis through the support services board
10	16/09/22	Placement Contract Management	WEAKNESS: One sample did not have a completed IPA; this was an in-house residential placement. RISK: The Trust is at risk of the placement not having evidence of the required approval and risk of potential fraud via ghost placements.	1.1 Retrospectively complete an IPA for sample five (N1425853) to evidence approval and a clear audit trail.	Recommendation will be completed	Important	Deborah Mahon	Completed	Jan 23 Update-- Completed
11	16/09/22	Placement Contract Management	WEAKNESS: All placements are required to have a completed Best Match form to evaluate which placement will be beneficial to the individual. All samples had evidence of a completed best match form however, ten best match forms were not signed by the social worker. RISK: There is risk that social workers are not reviewing and verifying the best options available to placements if there is no evidence of a signature recorded on the best match form to confirm it has been reviewed. This may leave the placement at risk of being allocated to a placement that is not suited to their needs or safe to them.	2.1 Remind and ensure social workers complete and sign all best match forms to evidence adequate consideration has been given by the social worker in determining the individuals best match. Forms should not be accepted unless signed.	This is being implemented now	Important	Deborah Mahon	Partially in place	Jan 23 Update – Completed. The majority of Best Match forms now have Social Workers signatures on however, it is recognised that some Social Workers do not have capacity at the time the placement is agreed. Where this is the case, confirmation is sourced by email and retrospective signing takes place.

12	16/09/22	Placement Contract Management	<p>WEAKNESS: Currently there is no placement review and approvals panel. An Access to Resources panel which will cover both placement approvals and reviews is currently being developed. Further to this, since surcease of the approvals panel, the interim process outlines all contract placements are to be reviewed and approved by the Strategic Manager. An interim approvals process has been implemented however, approval from the Chief Executive and Director of Finance and Resources has not been formally recorded and dated on the approvals document.</p> <p>RISK: By not having a placement review panel there is a risk of placements not being regularly monitored and reviewed which could leave placements at a safety risk. The risk of not having an approvals panel leaves the Trust exposed to placements being approved outside of the SoD therefore leaving placements at a potential safety risk.</p>	<p>3.1 Implement Access to Resources panel promptly to ensure and evidence a wider scope of placements are reviewed and approved regularly.</p> <p>3.2 Ensure interim approvals document is formally signed and dated by both approvers to evidence the current approvals process is confirmed and in line with the Trusts procedures.</p>	<p>Placements Planning Forum implemented 12/9/22</p> <p>This was completed at the time of the audit</p>	Important	Olivia Ives	In place	Jan 23 Update - Completed. Placement Planning Forum has been expanded to include Variation uplifts from January 2023. With plans to include all placement approvals and reviews.
13	16/09/22	Placement Contract Management	<p>WEAKNESS: One sample had no formal documentation evidencing the monthly review meetings between the Quality and Outcomes Officer and provider.</p> <p>RISK: If no formal recording of provider monitoring is documented the Trust is at risk not complying to provider monitoring regulations which is a potential safety risk for all placements allocated to this provider.</p>	4.1 Ensure monthly provider review meetings are documented to evidence compliance to the framework.	Formal provider meetings take place on a quarterly basis and are recorded. The meetings referred to here are over and above for the block contract to maintain a relationship. It is not necessary to record these unless issues are identified and an action plan is required. If this is the case they will be recorded.	Important	Deborah Mahon	In place	Jan 23 Update - Completed
14	16/09/22	Placement Contract Management	<p>WEAKNESS: Monthly Placement Management action plans are not currently documented as it is noted these are informal meetings.</p> <p>RISK: If the meetings are not minuted there is no evidence of attendance and if the action plans are not formally documented the Trust is at risk of these actions not being completed in a timely manner which, dependant on risk, could leave placements at a safety risk and or the Trust at risk of noncompliance.</p>	5.1 Minute monthly placement management meetings and document any action plans that arise from each meeting to evidence allocated actions and expected completion dates.	This is being implemented	Important	Deborah Mahon	In place	Jan 23 Update- Completed

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## **Northamptonshire Children's Trust – Governance and Reporting Framework**

### **Introduction**

Whilst under a statutory direction the DfE retains an interest and role in the governance arrangements for the Trust.

As the commissioner and funder of the services provided by the Trust, and through the statutory remit of the Director of Children's Services, the unitary councils have statutory oversight of the contract.

The Strategic Group and the Operational Group will oversee strategic and operational performance and delivery of the contract. Membership is drawn from the Trust Board, Trust senior executives, the Cabinets of each unitary council (UC) and senior Council executives.

### **1. Trust Reporting**

#### **Principles**

- Proportionate reporting to Board, Committees, UCs etc.
- Single reports meeting the needs of many/most audiences (using a common core that is adjusted dependent on audience).
- Contractual obligations fulfilled.
- Recognise strategic/operational nature of different mechanisms and plan/report accordingly.
- Report authors to consider short executive summaries rather than large documents presented at meetings.
- Appended report template to be used. This includes a requirement to refer to dates and decisions if the subject matter has been considered at other Trust/Council meetings. This will help us track progress for audit/accountability purposes. It also flags Equality Act requirements.

#### **Assumptions**

- Board meeting dates scheduled for Thursdays of week 3 on the basis finance and performance reports are available by end of week 2.
- Reporting sequence: Trust Executive/SLT for sign off, followed by Committee/Board, then onto the unitary councils' ICF operational and strategic contract meetings, Social Care Improvement Board and, less frequently, DfE and MHCLG.

- For other audiences eg. Council Scrutiny meetings, the Trust Executive will prepare reports based on information already available through the above.
- Quarterly Committee meetings scheduled for months where there is no Board meeting. F&R Committee meeting 8 times a year; PP&Q Committee meeting 4 times a year.

## **2. Alignment of meetings/groups**

- Internal
  - Executive/SLT
  - Transformation and Efficiencies Board
  - Committees
  - Trust Board
- Joint
  - Operational Group
  - Strategic Group
  - Support Services Board
  - Joint Committee
  - Social Care Improvement Board

## **3. Procedures**

### **Committees**

- Each committee will have a forward plan.
- Draft agendas will be prepared drawing on committee/Board forward plans and other relevant sources.
- Draft agendas to be shared with the Executive c3 weeks in advance of meeting, ahead of lead officer/chair 1:1 discussion below.
- Draft agendas to be agreed in a 1:1 discussion between committee lead officer and committee chair c2 weeks in advance of meeting.
- Required papers are confirmed, authors agreed and notified, and papers are collated by business support/PA in time for send out 5 working days in advance of meeting.
- Procedure for prior sign off of papers is a matter for committee lead officer and chair to determine.
- Each meeting is minuted by business support/PA and a simple action log and forward plan is maintained for each committee (those can be integrated within the minutes and/or stored separately).
- Draft minutes are shared with the committee lead officer and chair within 5 working days of the meeting. Once agreed as draft minutes they are then shared as draft minutes and actions with all committee members.
- Invites including those for remote meetings are sent by respective business support/PA, so they “control” any date/time and invitee changes going forward.

- Any matters to be escalated by the Committees are agreed with the respective Chair and reported to the Board.

## **Board**

- Draft agendas are shared with the Executive at least 3 weeks before the meeting.
- Board agendas should be agreed by the Board Chair and Chief Executive at least 3 weeks before the meeting.
- Required papers are confirmed, authors agreed and notified, and papers are collated by business support/PA in time for send out 5 working days in advance
- Final drafts of Board reports to be agreed by Chair and Chief Executive in time for send out of agenda papers at least 5 working days before the meeting.
- Each meeting is minuted by the Company Secretary (in future this could change to business support/PA).
- A simple action log is maintained.
- A forward plan is maintained.
- Invites including those for remote meetings are sent by the Chief Executive’s business support/PA who will “control” any date/time and invitee changes going forward.

## **4. Dates of Board and Committee meetings**

Dates through to March 2024 are set out in the Board Forward Plan.

## **5. Membership of committees**

<b>Practice, Performance and Quality Committee (PPQ)</b>	<b>Finance, Resources &amp; Audit Committee (FRA)</b>
Joshua Imuere (Council-nominated NED) Colin Cross John O’Brien Vacancy (Currently being recruited) Cornelia Andrecut Business Support: Vivienne Simpson	Hilary Daniels (Chair) Colin Cross (Vice-Chair) John O’Brien Darren Hickman (Council-nominated NED) Andrew Tagg (for Part A only) Business Support: Joanne Bayes

## 6. Extract from Board Forward Plan – for information/context

### CONTRACTUAL MATTERS WHICH ALL REQUIRE SOME FORM OF COUNCIL APPROVAL/ AGREEMENT

By when	What	Board/Committee planning January 2022 to January 2024
<b>2022</b>		
15 January	The Trust and the Councils must seek internal approval of the “ <b>Provisional Contract Sum</b> ” agreed by the parties as part of the negotiation process. <b>Recurring</b>	Board 20 January FRA
31 May	Draft annual accounts 2020/22 to the Councils. <b>Recurring</b>	Board 21 April FRA
31 July	Audited annual accounts 2020/22 to the Councils.	Board 21 July FRA
31 July	Prepare the first draft <b>Annual Report</b> for consideration and agreement at the Operational Group. <b>Recurring</b>	Board 21 July PPQ
15 September	Prepare a draft <b>business plan</b> for the 3 years from 1 April 2023 and submit this to the Councils for consultation. <b>Recurring</b>	Board 21 July FRA
15 October	The Strategic Group must convene (unless a different date is agreed) to carry out the <b>Annual Review</b> . <b>Recurring</b>	To be confirmed
30 November	Submit for approval by the Councils a further draft of the <b>business plan</b> , which includes any subsequent amendments agreed between the Trust and the Councils. <b>Recurring</b>	Board 20 October FRA
30 November	The Strategic Group must meet to discuss and agree the <b>Contract Sum</b> for the following year. This commences the negotiation process for the Contract Sum for the following financial year. <b>Recurring</b>	Board 20 October
<b>2023</b>		
15 January	The Trust and the Councils must seek internal approval of the “ <b>Provisional Contract Sum</b> ” agreed by the parties as part of the negotiation process. <b>Recurring</b>	Board 19 January FR&A 17 November or 12 January
31 May	Draft annual accounts 2020/22 to the Councils. <b>Recurring</b>	Board 20 April FR&A 23 February or 18 May
31 July	Audited annual accounts 2020/22 to the Councils.	Board 20 July FR&A 29 June
31 July	Prepare the first draft <b>Annual Report</b> for consideration and agreement at the Operational Group. <b>Recurring</b>	Board 20 July PP&Q 23 March or 22 June
15 September	Prepare a draft <b>business plan</b> for the 3 years from 1 April 2023 and submit this to the Councils for consultation. <b>Recurring</b>	Board 20 July or 7 Sept FR&A 29 June



By when	What	Board/Committee planning January 2022 to January 2024
15 October	The Strategic Group must convene (unless a different date is agreed) to carry out the <b>Annual Review. Recurring</b>	To be confirmed
<b>2024</b>		
15 January	The Trust and the Councils must seek internal approval of the <b>“Provisional Contract Sum”</b> agreed by the parties as part of the negotiation process. <b>Recurring</b>	Board 18 January FR&A 16 November or 11 January
<b>Other cyclical reports with contractual obligations</b>		
<b>Quarterly</b>	Risk register to be submitted to the Councils quarterly.	Board quarterly. FRA quarterly.
<b>Monthly</b>	Within 15 working days of each month the Trust must deliver to the Councils the <b>monthly report, which summarises the performance</b> of the Trust against its obligations under the Agreement in respect of the immediately preceding Service Period. To include contractual KPIs, financial information, quality audits, complaints, serious incidents and case reviews, surveys, inspection-related information, statutory returns, performance by the Councils of their functions and dependencies, and “Management Information” on a monthly, quarterly or annual basis where relevant.	Board quarterly. PPQ quarterly.
<b>Quarterly</b>	Summary of the management accounts presented to the Trust Board to include an Income and Expenditure Statement for the period to date and forecast for the Contract Year end.	To be incorporated in regular and routine reporting to the Board and FRA Committee, using a suitable format.
<b>Half yearly</b>	Balance sheet and cash flow.	To be incorporated in regular and routine reporting to the Board and FRA Committee, using a suitable format.

## ANNUAL CYCLE OF BOARD AND COMMITTEE ITEMS

	Standing Items (annual/quarterly)	Which Committee and Why?	Freq.	Trust Board and Reason?	Freq.
1.	Finance outturn and annual accounts.	FRA – Recommendation that Board approves	A	Decision – to approve	A
2.	Annual Audit Plan, including review of previous year.	FRA – Decision – approve plan (plus 6-monthly summary of audits)	A	By exception	A

	Standing Items (annual/quarterly)	Which Committee and Why?	Freq.	Trust Board and Reason?	Freq.
3.	Children's services improvement and performance matters (including practice quality, contractual KPIs, Ofsted visits, self-assessment, annual performance outturn).	PPQ – Assurance	Q	Assurance	Q
4.	Business Plan.	FRA – Recommendation that Board approves draft	A	Decision – to approve	A
5.	Budget: consideration of proposed contract sum - the Strategic Group must meet to discuss and agree the Contract Sum for the following year by 30 November. This commences the negotiation process for the Contract Sum for the following financial year.  The Trust and the Councils must seek internal approval of the "Provisional Contract Sum" agreed by the parties as part of the negotiation process by 15 January (from 2022).	FRA – Recommendation that Board approves	A	Decision – to approve	A
6.	Annual review and annual report from Year 2 ie. first report to cover November 2020 – March 2022.	PPQ – Recommendation that Board approves	A	Decision – to approve	A
7.	Finance updates including efficiencies.	FRA – Assurance	Q	By exception	---
8.	Strategy/guidelines (eg procurement and IT).	Relevant Committee – to approve or to recommend that Board approves, depending on strategy/guidelines	Q	Decision - to approve (depending on strategy/ guidelines)	Q
9.	Revision of adopted policies (schedule of policies to be prepared for information/tracking).	Relevant Committee – to approve or to recommend that Board approves, depending on policy	Q	Decision - to approve (depending on policy)	Q
10.	Risk Management updates and Risk Register (Register goes to Councils quarterly).	FRA – Decision – approve status of risks	Q	Assurance	Q
11.	Health & Safety.  [Annual Health & Safety report to both FR&A and P&P Committees for assurance and information.]	FRA – Assurance and information  PPQ – Assurance and information	Q  Q	By exception	---  ---
12.	Quarterly and Annual Children's Services Complaints and Compliments reports.	PPQ – Assurance and information	Q	Assurance	A

	Standing Items (annual/quarterly)	Which Committee and Why?	Freq.	Trust Board and Reason?	Freq.
13.	Annual Independent Reviewing Officers report	PPQ – Assurance and information	A	Assurance	A
14.	To be expanded with other items as and when agreed.				

#### **Notes**

- In addition, a Nominations and Remuneration Committee will meet Annually.
- A range of non-standing items will be reported to the Board as necessary.
- Where appropriate, Committees will consider early drafts and other work related to the above items and these will be scheduled as required.
- Written or verbal reports from Committee Chairs will routinely be presented to the Trust Board.

#### **Key**

FRA: Finance, Resources and Audit Committee

PPQ: Practice, Performance and Quality Committee

Freq: A - annual; Q – quarterly

## **7. Committee forward plan considerations**

### **FRA ToR extract**

- the Trust's business plan and transformation activity.
- the Trust's finances: strategy, efficiencies, monitoring and forward planning.
- the effectiveness of service level agreements.
- management and resource audits.
- overview of risk management.
- workforce establishment control, budgets and salaries, health and safety.
- employee engagement.
- ensuring that part B of its meetings fulfils the audit remit.

### **Audit remit**

(a) reviewing and monitoring:

- (i) the integrity of the financial and narrative statements and other financial information provided to Members;
- (ii) the Company's system of internal controls and risk management;
- (iii) the internal and external audit process and auditors;
- (iv) the processes for compliance with laws, regulations and ethical codes of practice; and

- (b) making recommendations to the Board in relation to the discharge of governance responsibilities in respect of audit, risk and internal control of the Company.

### **Long list to inform draft FRA forward plan**

Business planning  
Finance and efficiencies  
Accounts – draft; audited  
Annual Audit Plan; findings of audits; actions and progress  
External audit; findings of audit; actions and progress  
Health & Safety (whole-Trust perspective)  
HR and non-HR Policies: sign off; review (*each committee to consider relevant policies*)  
Risk management, register, deep dives  
Support Services Agreements  
Property matters  
Business continuity  
ICT systems and data  
Recruitment and Retention  
L&D  
Equality and Diversity  
Gender Pay Gap Comparators

### **PPQ ToR extract**

- all key issues relating to the practice, performance and quality of all services provided by the Trust to children, young people and their families in Northamptonshire including user feedback, formal complaints and Trust support services.
- the performance and quality of Trust contracts, including purchased support services and service level agreements in place to ensure Trust effectiveness.
- workforce quality and effectiveness including recruitment, retention, learning and development.
- Trust self-assessment and improvement activity.
- actions following Ofsted and other inspections or visits, agreeing and monitoring relevant plans.
- the effectiveness of engagement with children, young people and families receiving the services of the Trust so that their voice, and their experience, can be clear and influential in shaping the Trust's decision-making and direction.
- the development and evaluation of innovative approaches to practice and service improvement.

### **Long list to inform draft PPQ forward plan**

Children's Services improvement and performance matters (including contractual KPIs, quality of practice, performance by the Councils of their functions and dependencies where that has a direct impact on practice, and relevant "Management Information" on a monthly, quarterly or annual basis)

Statutory returns

Effectiveness of early help

Inspection outcomes

Quarterly/annual compliments and complaints report

Serious case/rapid review updates

Annual reports eg. Trust Annual report, IRO Service, Reg 35 Adoption

Health & Safety (practice perspective)

HR and non-HR Policies: sign off; review (*each committee to consider relevant policies*)

L&D from a practice perspective

**Appendix: Report template**



<b>Meeting</b>	<b>Trust Board</b>
<b>Date</b>	<b>...2022</b>

<b>Agenda Item No.</b>	
<b>Subject of Report</b>	
<b>Author</b>	
<b>Responsible Director</b>	

**Date and decision if matter has been considered at other Trust/Council meetings**

**Purpose of the Report**

Action	<input type="checkbox"/>
Approval	<input type="checkbox"/>
Assurance	<input type="checkbox"/>
Information	<input type="checkbox"/>

**EXECUTIVE SUMMARY:**

**RECOMMENDATION:**

The Trust Board is recommended to:

In preparing this report, due consideration has been given to the statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations as set out in Section 149(1) of the Equality Act 2020. A full equality impact assessment has been considered.

Contact:

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