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**North
Northamptonshire
Council**

Meeting: Audit and Governance Committee
Date: Monday, 24th April 2023
Time: 2.00 pm
Venue: Council Chamber, The Cube, George Street, Corby, Northants. NN17 1QG

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To:

Members of the Audit and Governance Committee


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

Mr Michael Whitworth (Independent Person)

Substitutes:

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

| Agenda | | | |
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| 08 | Statement of Accounts 2020-21 – Corby Borough Council | Claire Edwards Assistant Director of Finance and Accountancy | To Follow |
| 09 | Audit Results Update | Elizabeth Jackson/ Ian Young Ernst & Young | To Follow |
| Urgent Items | | | |
| | To consider any items of business for which notice has been given to the Proper Officer prior to the meeting and the Chairman considers to be urgent pursuant to the Local Government Act 1972. | | |
| Exempt Items | | | |
| 10 | None Notified | | |
| 11 | Close of Meeting | | |
| | <p style="text-align: center;">Adele Wylie, Monitoring Officer North Northamptonshire Council</p> <p style="text-align: center;"></p> <p style="text-align: center;">Proper Officer 14th April 2023</p> | | |

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Minutes of a meeting of the Audit and Governance Committee

Monday 20th February, 2023 at 2:00 pm in the Council Chamber, The Cube, George Street, Corby, Northants, NN17 1QG

Present:-

Members

Councillor Andrew Weatherill (Chair)
Councillor Jean Addison
Councillor Anne Lee
Councillor Richard Levell

Councillor Paul Marks
Councillor Mark Pengelley

Mr Michael Whitworth (Independent Member)

Officers

Janice Gotts (Executive Director of Finance and Performance (s151 Officer))
Claire Edwards (Assistant Director of Finance and Accountancy)
Rachel Ashley-Caunt (Chief Internal Auditor)
Mark Dickenson (Assistant Director of Finance and Strategy)
Dean Mitchell (Chief Accountant)
Jonathan Waterworth (Assistant Director of Assets and Environment)
AnnMarie Dodds (Executive Director of Children's Services)
Richard Woodward (Intelligent Client Function Programme Lead (Interim))
Jen Morris (Head of Audit and Risk Management) (WNC)
Colin Foster (Chief Executive – Northamptonshire Children's Trust) (NCT)
Andrew Tagg (Director of Finance – Northamptonshire Children's Trust) (NCT)
Elizabeth Jackson (Ernst & Young – External Audit)
Ciaran McLaughlin (Grant Thornton – External Audit)
Ben Smith (Democratic and Electoral Services Manager)
Fiona Hubbard (Senior Democratic Services Officer)
Raj Sohal (Democracy Officer)

Councillor Lloyd Bunday, Portfolio Holder for Finance and Transformation also attended the meeting. Councillor Bert Jackson was also present but did not take part in the meeting.

92 Apologies for non-attendance

It was noted that apologies were received from Councillor Kirk Harrison, Councillor Ian Jelley, Councillor Elliot Prentice and Councillor Russell Roberts.

93 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.

94 Minutes of the meeting held on 28 November 2022

RESOLVED:

- (i) That the minutes of the Audit and Governance Committee held on 28 November, be confirmed as a correct record and signed.

95 Audit Plan 2020-21 Corby Borough Council

The Committee received a report by the Assistant Director of Finance and Accountancy to present the Audit Plan in relation to the Statement of Accounts for Corby Borough Council for 2020/21 and the work currently being undertaken by the external auditor, Ernst & Young.

Elizabeth Jackson (Ernst & Young – External Audit) explained in detail the key areas and points within the audit planning report.

Arising from consideration of the report and discussion, Elizabeth Jackson (Ernst & Young – External Audit) responded to questions of clarification and the following principal comments were made:

- (i) The Assistant Director of Finance and Accountancy brought to the attention of the Committee the two new risks in 2020/21 in relation to valuation of investment properties and reconciliation of grant income associated with Covid 19;
- (ii) Elizabeth Jackson (Ernst & Young – External Audit) explained to the committee their view of materiality as per the 2020/21 audit strategy including planning materiality, the tolerable error and audit differences. She also referred to significant weaknesses in relation to bank reconciliations but did recognise that this was present in the prior year. She stated that some of the working papers they had been given to work with were of poor quality and there have been delays with production with samples. This issue is compounded by staff who were previously employed at the Council and have now left. She added that the audit was progressing slower than anticipated;
- (iii) The Executive Director of Finance and Performance (s151 Officer) responded that the Council do not wish to delay finalising these accounts. She added that things need to be addressed but there needed to be a recognition of the impact of COVID during this period on staff working

arrangements including paperwork as many were away from the office for long periods and had to find different ways of working. Also with the cessation of the Borough Council following LGR, the Council had lost a lot of organisational knowledge which had impacted on the timeline and information available for the response. It was reported that a dedicated team was in place led by the Assistant Director of Finance and Accountancy as the Audit Manager, to work on completing the audit together with the team from Ernst & Young (External Audit) and to aim to deliver this audit by April in line with the previously agreed timetable;

- (iv) A committee member stated that he was very disappointed to hear about the poor quality of working papers;
- (v) The Chair stated that he expected consistency in audit approach between years and between Councils and observed that nothing significant was new in this year's audit and queried the change in tolerance levels. In her response, Elizabeth Jackson (Ernst & Young – External Audit) advised that tolerances are set every year and was her judgement;
- (vi) The Assistant Director of Finance and Accountancy reported that the Council has struggled to receive timely responses to queries from the Council's Valuer as the valuations were given 18 months ago, which is also causing an issue;
- (vii) The Committee noted that they were disappointed with the delays caused by the Valuer;
- (viii) Elizabeth Jackson (Ernst & Young – External Audit) explained that timetables are set up for audits and this had been arranged but 10 weeks had been lost in awaiting information and if this was not received by the middle of March, this audit may potentially be put back until January 2024 for completion. She concluded that she wants this audit completed and delivered to enable it to be signed off by the end of April 2023;
- (ix) The Committee were very concerned of this potential delay and the risk this would bring to North Northamptonshire Council's last audit from predecessor legacy Districts and Borough Council accounts which need to be signed off, to enable Grant Thornton to fully proceed with their 2021/22 audit;
- (x) The Executive Director of Finance and Performance (s151 Officer) responded that further delay will increase risk as it becomes more difficult the further away the audit is from the period of the accounts and it was imperative that we do everything we can with the team in place, both Council staff and external audit, to complete this audit by April 2023.

RESOLVED:

The Audit and Governance Committee:

- (a) Noted the Audit Plan for 2020/21 as shown in Appendix 1.

96 Verbal update from Grant Thornton (External Auditors)

Ciaran McLaughlin (Grant Thornton - External Audit) gave a verbal update to the Committee. He reported they have continued to do their planning work including looking at the legacy Council IT systems and also carried out the value for money work for the year.

An interim annual value for money audit report has been shared with management for comments and is now back with him to process some of the changes.

He expects a draft set of accounts for 2021/22 to be available around April and this was confirmed by the Assistant Director of Finance and Accountancy, subject to receipt of audits from former Northamptonshire County Council and Corby Borough Council.

The Committee noted the verbal update.

97 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. Five 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, in the postponing of audits of Fixed Assets, Recruitment and Partnerships.

The Assistant Director of Assets and Environment was present at the meeting and would respond in relation to asset management – leased assets.

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

- (i) A member asked if the Chief Internal Auditor had been successful in recruiting new members to her team. In response, she confirmed that three appointments had successfully been recruited, which was positive going forward;

- (ii) The Chief Internal Auditor referred to the High Priority Actions overdue for more than three months and the enforcement files for legal services for 2021/2022 – risk management form and data protection. She reported that she had been informed that these had now been completed. The Chair was disappointed that the Chief Internal Auditor had not been advised of this until the meeting and that there had already been a delay in the implementation date of these recommendations, with a revised date of December given at the last meeting. He was also disappointed that the audit recommendations relating to the Governance of Children’s Trust 2021/2022 for Children’s Services in relation to the Intelligent Client Function and Service Delivery Contract had not been completed;
- (iii) The Assistant Director of Assets and Environment provided the Committee with a full and comprehensive update in relation to asset management and the Asset Strategy and advised that they are looking into procuring a new IT system. Members raised questions in relation to compliance checks on premises and acknowledged the difficulty of different legacy systems. A member queried if the service area has enough staff. The Assistant Director of Assets and Environment responded that in a restructure tiers 4/5 had been appointed and the next step would be to put the remaining tiers into place as part of the restructuring process in order to provide support for each area;
- (iv) A member raised a query in relation to any missed revenue in relation to room hire. In response the Assistant Director of Assets and Environment stated that the Council does have fees and charges in place for hiring meeting rooms and would follow this specific query up with the member;
- (v) Another member queried if we have enough employees to undertake the work once we know what assets we no longer require. In response, the Assistant Director of Assets and Environment advised that this would form part of the restructure to ensure what we need is in place;
- (vi) The Chair asked for an action from the Assistant Director of Assets and Environment to keep the Committee informed of any proposals taken to the Corporate Leadership Team around the approach to asset management and leased assets, e.g. corporate landlord model or variant thereof, to give the Committee a higher level of assurance.

RESOLVED:

The Audit and Governance Committee:

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

The Committee received a report from the Executive Director of Children's Services in relation to a Presentation of Northamptonshire Children's Trust Audit Report 2021-22.

The Chief Executive and the Director of Finance from Northamptonshire Children's Trust (NCT) and the Head of Audit and Risk Management from West Northamptonshire Council (WNC) were present to answer any questions relating to the report and appendices. The Intelligent Client Function Programme Lead (Interim) (NNC) was also present.

The Northamptonshire Children's Trust had been invited to attend the meeting following their attendance at the Audit and Governance Committee on 5 September 2022. Following on from that meeting, the Committee still had serious and significant concerns over the inadequate sources of assurance being provided to them as a Committee and as Corporate Parents.

The Executive Director of Children's Services initially referred to the outstanding actions contained in the Audit Progress Report (Minute 97 – (ii)) relating to the Intelligent Client Function and the Service Delivery Contract. She advised that the Intelligent Client Function actions were delayed due to receipt of legal advice which was subsequently challenged by colleagues from West Northamptonshire Council (WNC). This related to questions about the separation of the Intelligent Client Function for North Northamptonshire Council (NNC) and West Northamptonshire Council (WNC) and ultimately the decision will sit with the Department of Education as to whether we have one or two systems. In the meantime, colleagues working in the Intelligent Client Function are refining details around performance and assurance and there have been a number of changes to the financial reporting and revision of performance information and this work is being done in the background. The Chief Internal Auditor responded that this was reflected in the latest status report supported by the explanation by the Executive Director of Children's Services and the Chief Internal Auditor would continue to follow this up on a monthly basis. The Chair asked that it be actioned that the Committee be kept informed of any changes to these overdue audit actions by the Executive Director of Children's Services.

Arising from consideration of the report and discussion, the Committee raised the following principal comments to the Northamptonshire Children's Trust (NCT) Chief Executive, Finance Officer and the Head of Audit and Risk Management from West Northamptonshire Council (WNC) in her capacity as the lead for Internal Audit for NCT:

- (i) The Chair was seriously concerned in relation to the documents the Committee had been presented with and the discrepancies contained therein. These related to gaps in, and the levels of, assurance, different reports referring to differing numbers of audits, no clarity over the overall annual opinion, a document which had been changed three times which was a key source of assurance and in the latest report for 2021/22 no apparent overall opinion from, and identified by, the Head of Internal Audit. He stated that none of the reports were dated, some of the fundamentals, e.g. the number of audits (10, 11 and 12 between different reports) had been changed and what and whose was the Head of Internal Audit's opinion. The report was now referred to as a summary, rather than an annual report;

- (ii) The Chief Executive from Northamptonshire Children's Trust (NCT) reported that the appendices to the report were the final report and noted the points made by the Chair. He reported that there have been some challenges with the external audit firm who delivered the audit programme and stated that they no longer use them as their auditors and through their support services for audit he confirmed this was now being delivered by West Northamptonshire Council (WNC);
- (iii) The Finance Officer from Northamptonshire Children's Trust (NCT) added that the full internal programme, which was highlighted in September, was not completed at that date and that raised concerns. Subsequently the report was finished and the actions were put into place and now Northamptonshire Children's Trust (NCT) are working with the Head of Audit and Risk Management from West Northamptonshire Council (WNC) and her team, for the delivery of the 2022/23 audit programme and monitoring the assurance actions put in place from that audit. The audit did not take place until February 2022 with the exception of one audit that was completed;
- (iv) The Chair raised a significant concern in respect of the report as the appendix had no Head of Internal Audit Opinion for 2021/22 and remains unable to identify which report contains the final Head of Internal Opinion and whose opinion that is. He also stated that it would be professionally challengeable and unacceptable to carry out an audit commissioned for one year and then rely on it for another year;
- (v) The Head of Audit and Risk Management (WNC) confirmed that she would be the Head of Internal Audit for 2022/23 and would be reviewing the position;
- (vi) There was confusion from the Committee as to what months/year the audit work related to. The Head of Audit and Risk Management (WNC) agreed and confirmed this was the reason her team were reviewing the working papers of the auditors (BDO) who undertook the work and which they were given last week. She advised that they are working through BDO papers completed after August to determine what was considered as part of that audit process. She agreed that it was late to be looking at it but unfortunately that was the information they had been provided with. A member queried why BDO were not asked for answers and she responded that she had asked questions of them but she was not satisfied, which was why she was looking at the working papers. The Committee were confused by this response and wanted an answer on the way forward. The Chief Executive of Northamptonshire Children's Trust (NCT) shared the frustrations;
- (vii) The Chair stated that the Council wants input, influence and visibility and we are all in this together and want sources of assurance as Corporate Parents and Committee Members with clear responsibilities. He stated that this is high up on the risk agenda and wants to share his concerns with Northamptonshire Children's Trust (NCT) as there is an absence of an adequate assurance framework and what has been presented in the report was deficient. He added it was important that the Council influence the programme and achieve good reports and the Council are prepared to work

with NCT to achieve this. The Head of Audit and Risk Management (WNC) responded that meetings have been held in the last few months with the Council's Chief Internal Auditor (NNC), the Finance Officer from Northamptonshire Children's Trust (NCT) and herself to provide updates. She added that she would be happy to attend the Audit and Governance Committee meetings as frequently as required to give the Committee assurance. The Chair asked when the 2022/23 audits started. The Head of Audit and Risk Management (WNC) responded she would report this information back to the Committee;

- (viii) The Independent Member raised concerns in relation to CareFirst and the Social Care Transport Audit in relation to data being held relating to vulnerable individuals and that people who have left the organisation can still log into systems. In response, the Chief Executive of Northamptonshire Children's Trust (NCT), stated that the transport was dealt with by West Northamptonshire Council and safeguarding was in place which would give that assurance. This point was not made in the report and not seen at the time of the audit and there was more work being completed. With regard to CareFirst there was an issue when a member of staff working for another organisation had left a number of years ago and had still retained a login. This was appropriately raised through the Information Commissioners Office immediately when this became apparent. He advised that Northamptonshire Children's Trust (NCT) are working with North Northamptonshire Council and West Northamptonshire Council to procure a new system as it had been highlighted that this system needs changing. Questions were also raised by the Chair with regard to there being no actions on the audit tracker in relation to Social Care Transport and Cyber Security. The Head of Audit and Risk Management (WNC) advised that the tracker provided did not include all of the audit actions and that all actions would be provided in future;
- (ix) The Chair referred to there being no follow up audits from the legacy audit which was one of a number of reasons why the Committee considered the plan was deficient when the services were previously rated inadequate by Ofsted with presumably recommendations and yet no follow up;
- (x) The Chair summarised by stating that the Director for Children's Services needs sources of assurance as does the Committee. In response, the Director for Children's Services stated that she does a lot of work with the Chief Internal Auditor and valued her input and felt that working together with the Trust would be welcomed in providing assurance going forward.

(On being put to the vote the recommendation was carried by 6 votes and one abstention).

RESOLVED:

The Audit and Governance Committee:

- (a) Noted the contents of the report and appendices.

Chair

Date

The meeting closed at 4:03 pm

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Audit and Governance Committee 24th April 2023

| | |
|---------------|---|
| Report Title | Internal Audit Progress Report |
| Report Author | Rachel Ashley-Caunt, Chief Internal Auditor |

List of Appendices

Appendix 1: Internal Audit progress report – April 2023

1. Purpose of Report

- 1.1 To provide the committee with a progress update on the work of the Internal Audit team and the key findings from audits completed to date.

2. Executive Summary

- 2.1 The Internal Audit plan of work is subject to ongoing review and prioritisation to ensure it focuses on the Council's key risks. Since the last meeting, five audit reports have been finalised and the key findings are summarised in Appendix 1. Of the audit plan assignments for delivery by the in-house audit team, 93% is completed to at least draft report stage as at the time of reporting. The remaining 7% is in advanced delivery stages and all outcomes will be reflected in the Annual Internal Audit Report.

3. Recommendations

- 3.1 It is recommended that the Committee:

- a) Note the progress report attached as Appendix 1.

- 3.2 Reason for Recommendations –

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

4. Report Background

- 4.1 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.

5. Issues and Choices

5.1 The report provides an update on delivery of the internal audit work for 2022/23.

6. Implications (including financial implications)

6.1 Resources and Financial

6.1.1 None specific to this report.

6.2 Legal

6.2.1 None specific to this report.

6.3 Risk

6.3.1 None specific to this report.

6.4 Consultation

6.4.1 None specific to this report.

6.5 Consideration by Scrutiny

6.5.1 Not required on this occasion.

6.6 Climate Impact

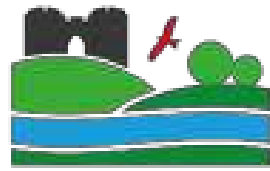
6.6.1 None specific to this report.

6.7 Community Impact

6.7.1 None specific to this report.

7. Background Papers

7.1 None.



**North
Northamptonshire
Council**

Internal Audit Progress Report
April 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, 93% of the assignments for delivery by the Internal Audit team are completed to final or draft report stages. Work to conclude fieldwork on the remaining 7% is underway and work has also commenced on planning for 2023/24 assignments. The outcomes of all audits from the 2022/23 plan will be reflected in the Annual Internal Audit Report.
- 2.2 A full copy of the 2022/23 audit plan is provided as Table 3, on pages 7 to 14 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:

Payment Card Industry (PCI) Data Security Standard (DSS) - advisory

Payment Card Industry (PCI) Data Security Standard (DSS) is a global standard, administered by the PCI Security Standards Council (SSC), which was founded by five major card providers (Visa Inc., Mastercard, American Express, Discover, and JCB International) and provides requirements to protect cardholder data and sensitive authentication data.

Organisations must comply with PCI DSS if they process, store or transmit payment cardholder data, regardless of industry or size. Non-compliance with PCI DSS can result in suspension of the ability to accept and process card payments, increased transaction fees, non-compliance fees and/or costs to cover any forensic investigation if there is a breach. Breaches of personal data would also result in a breach with data protection regulations which could also result in additional, severe fines and reputational damage.

The objective of this consultancy review was to provide advice over the arrangements for ensuring compliance with PCI DSS to help inform the focus of ongoing work. The review was originally to be an assurance audit, however, given the roll out of the new income management system and the new telephony system in 2023, it was decided an advisory, consulting engagement would add more value at this stage as processes will substantially change following implementation of these new systems.

As this is a consultancy engagement, an opinion has not been provided but the work does still contribute to the overall internal audit opinion. It has been agreed to monitor the results/recommendations as would be the case for a general assurance piece of work.

The client for the engagement, Assistant Director (AD) – Customer Services, is the nominated lead for PCI DSS compliance and, as this is a consultancy piece of work, the scope agreed was to focus on the current arrangements in Customer Services.

The move from legacy councils to the unitary council may have resulted in a difference in compliance level and the current position still needs to be established, as does the scope for where card payments are being taken. It is advised that a working group/project group be established, coordinated and chaired by the AD – Customer Services so that these details can be finalised, and assurances mapped to the PCI DSS requirements. This work should be aligned with the various project groups for the new systems and the AD – Customer Services should attend these project meetings as the nominated lead for PCI DSS compliance.

Contract extensions

Section 13 of the Procurement Best Practice Guide includes the following in respect of contract extensions:

13.3.1. Contracts can only be extended where the contract allows it. The original procurement must have clearly stated in the ITT documents, the initial contract period as well as any optional contract extensions (if any).

13.3.2. Extensions must only be taken up where:

- a. There is budgetary provision; and
- b. Value for Money can be clearly demonstrated; and
- c. There is a provision stipulated in the original Contract for an extension; or
- d. A Waiver request is approved, where no specific provision exists in the Contract.

13.3.3. Negotiations with the provider should be considered to see if the contract price can be reduced before agreeing to a contract extension, particularly if elements of the contract are not being delivered in line with the original contractual requirement.

13.3.4. Justification for extending the contract should be recorded in writing in agreement with the Chief Officer. For audit purposes, it is recommended that this justification is recorded where it can be accessed later; for example, with the contract documents, as a private note on the Contract Register or in a locally shared area.

The scope of the audit was to provide assurance over the Council's arrangements for extending contracts.

In overall terms, the audit findings indicated that Contract Procedure Rules were being complied with for contracts that are extended under the terms of existing contracts, or in cases where a tender waiver is required. Testing on wider procurement compliance is conducted in the regular audit testing on procurement.

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

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

Planning fee income

Planning fee income continues to be split across a number of budget lines that correspond to the former Councils that North Northamptonshire replaced on April 1st 2021, although work is ongoing to bring these budget lines together. The combined 2022/23 budget for planning fee income across these lines equates to £2.747m, with a further £159k budgeted for discretionary fees and charges including pre-planning advice.

The scope of the audit was to provide assurance over the Council's arrangements for forecasting and collecting planning fee income.

In overall terms, the audit confirmed that whilst planning fee income budgets are subject to regular monitoring, there is a need to strengthen the process for initially setting these budgets. The current practice generally involves rolling forward budgets from previous years, even where actual in year income collection has been significantly different to budgets.

The Assistant Director – Growth & Regeneration has however reported that the overall planning fee income budget set for the forthcoming year (2023/24) has taken account of the overall likely fee income outturn and so should be both realistic and achievable.

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

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

Housing repairs

As at the 31st March 2021, the former Kettering Borough Council and Corby Borough Council owned 3,603 and 4,673 social dwellings respectively, all of which was transferred to North Northamptonshire Council on 1st April 2021. There remain separate responsive repair budgets for the two localities in 2022/23, with Kettering standing at £1.5m. Corby's budget is less easy to define as some responsive repairs budget headings include salaries of officers working on capital projects and some expenditure on sheltered schemes is also classified as responsive repairs. Two in-house teams are maintained to deliver the responsive repairs service to the respective localities. Corby operates the QL system to administer responsive repairs, whilst Kettering uses the Callsys system.

The scope of the audit was to provide assurance over the consistent categorisation and response to housing repair requirements and performance in turnaround time for responsive

repairs. In overall terms, the audit highlighted a number of weaknesses. Key issues to highlight include the need to address the significant number of repairs that are not currently achieved within target times, complete stock condition surveys (currently in progress at Corby, but not started at Kettering), address the backlog of post-inspections that have not been completed and provide more meaningful performance measures. There also remains a number of inconsistencies in the approach taken to delivering the repairs services at each locality, which is exacerbated by the fact that two separate systems continue to be operated.

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

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

Housing voids management

As at 31st March 2021, the former Kettering Borough Council and Corby Borough Council owned 3603 and 4673 social dwellings respectively, all of which were transferred to North Northamptonshire Council on 1st April 2021.

The 2022/23 voids budget for Kettering is as follows:

Revenue £960,000

Capital £400,000

Cleaning £198,000

The Corby budget is presented slightly differently as staff costs are not included:

Voids service provision £266,290

Void properties management £218,592

Voids major works (capital) £100,000

Voids are categorised as either being standard (revenue) or major (capital). In-house teams deal with works funded from revenue, whilst there is a mix of in-house teams and contractors for capital works. Clearance and cleaning of void properties is undertaken by an in-house team at Kettering but is contracted out at Corby. There are not currently any formal turnaround targets for standard and major voids, although weekly meetings take place between Housing Property Services, Tenancy Services and Housing Options to monitor progress and ensure that void properties can be re-let as soon as possible.

The scope of the audit was to provide assurance over the turnaround of housing voids in accordance with appropriate performance targets and to an acceptable standard. In overall terms, the audit confirmed that whilst there are processes in place at both localities to address void properties, there is a need to harmonise the approach taken and improve the records available in respect of pre-inspections, work orders and post-inspections. There is also a requirement to set and report meaningful KPI targets that allow void turnaround times to be effectively monitored.

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

| Internal Audit Assurance Opinion | |
|----------------------------------|----------------|
| Control Environment | ● Satisfactory |
| Compliance | ● Satisfactory |
| 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 1 - Children's Trust fails to deliver to the agreed standards / failure of the Council's Intelligent Client Function (ICF). and community due to unplanned incident or emergency.
- 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. It should be noted that this only confirms that the stated controls are in place and does not give an evidenced assurance over the effectiveness and general management of the stated risk. There remain audit recommendations open in relation to the controls, but this does not impact on the factual accuracy of the controls stated on the register. The full findings are provided in Table 2 on pages 17 to 18.

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, 31 open actions have been confirmed as implemented – an overview is provided in Table 3 of this report. There were 52 recommendations overdue for implementation as at 31st March 2023.
- 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 two such actions at this time.

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 |
|--|------------------------|-------------|----------|--------------------|--------------------|--------------|-------------------------|--|--------------|------------|---------------------------|
| Governance | | | | | | | | | | | |
| Governance of shared / delegated services | Q3 | | | | | | | Satisfactory | Satisfactory | Minor | Reported in February 2023 |
| Ethical governance - values | Q2 | | | | | | | Consultancy review | | | Reported in November 2022 |
| Ethical governance – Member Officer protocol | Q3 | | | | | | | Good | Substantial | Minor | Reported in February 2023 |
| Oversight of post case review | | | | | | | | Covered by external audit in Value for Money work. | | | |
| Risk management | | | | | | | | | | | |
| Real time risk assurances | All year | | | | | | | See Table 2 for latest outcomes | | | |

| Assignment | Initial timing planned | Not started | Planning | Fieldwork underway | Fieldwork complete | Draft report | Final report / complete | Control Environment | Compliance | Org impact | Comments |
|--|------------------------|-------------|----------|--------------------|--------------------|--------------|-------------------------|--|--------------|------------|---------------------------|
| Risk management and legacy issue support / reporting | All year | | | | | | | Consultancy support | | | |
| Corporate compliance with key controls and policies | | | | | | | | | | | |
| Fees and charges | Q1 | | | | | | | Satisfactory | Satisfactory | Minor | Reported in November 2022 |
| Procurement compliance – report 1 | Rolling | | | | | | | Satisfactory | Good | Minor | Reported in November 2022 |
| Use of temporary staffing / agency workers | Q1 | | | | | | | | | | |
| Performance management | Q4 | | | | | | | | | | |
| PCI DSS compliance | Q4 | | | | | | | Delivered as advisory work, given work underway on introduction of new income management system. | | | See section 3 |
| Contractor health and safety | Q2 | | | | | | | | | | |
| Contract extensions | Q3 | | | | | | | Good | Good | Minor | See section 3 |
| Grant claims | | | | | | | | | | | |

| Assignment | Initial timing planned | Not started | Planning | Fieldwork underway | Fieldwork complete | Draft report | Final report / complete | Control Environment | Compliance | Org impact | Comments |
|---|------------------------|-------------|----------|--------------------|--------------------|--------------|-------------------------|---|--------------------|--------------|----------------------------|
| Supporting Families | All year | | | | | | | Q1, Q2, Q3 and Q4 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 | | | |
| Adult Weight Management Services Grant | Q4 | | | | | | | Declaration completed | | | |
| Local Transport Capital Funding | Q2 | | | | | | | Declaration completed | | | |
| Key financial systems - 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 |

| Assignment | Initial timing planned | Not started | Planning | Fieldwork underway | Fieldwork complete | Draft report | Final report / complete | Control Environment | Compliance | Org impact | Comments | |
|-------------------------------------|------------------------|---|----------|--------------------|--------------------|--------------|-------------------------|---------------------|---------------------|--------------|----------------------------|--|
| 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 | | | | | | | | | | | |
| Pensions | Q4 | To be delivered by host authority's internal audit team – West Northamptonshire Council | | | | | | | | | | |
| Budgetary control | Q4 | | | | | | | | | | | |

| Assignment | Initial timing planned | Not started | Planning | Fieldwork underway | Fieldwork complete | Draft report | Final report / complete | Control Environment | Compliance | Org impact | Comments |
|---|------------------------|-------------|----------|--------------------|--------------------|--------------|-------------------------|---------------------|---------------------|-----------------|----------------------------|
| Adults, Health Partnerships and Housing Priorities and Risks | | | | | | | | | | | |
| Direct payments | Q1 | | | | | | | Good | Good | Minor | Reported in November 2022 |
| Adult safeguarding | Q4 | | | | | | | | | | |
| Adult Social Care – Target Operating Model | Q1 | | | | | | | Satisfactory | Satisfactory | Moderate | Reported in September 2022 |
| Approved Mental Health Professionals | Q3 | | | | | | | | | | |
| Housing repairs | Q3 | | | | | | | Limited | Limited | Moderate | See section 3 |
| Housing voids management | Q3 | | | | | | | Satisfactory | Satisfactory | Moderate | See section 3 |
| Rent arrears | Q2 | | | | | | | | | | |
| Leisure provision | Q2 | | | | | | | Substantial | Good | Minor | Reported in February 2023 |
| Local bank accounts (Adults) | Q4 | | | | | | | | | | |
| External placements | Q3 | | | | | | | | | | |
| Homelessness and Temporary Accommodation | Q4 | | | | | | | | | | |

| Assignment | Initial timing planned | Not started | Planning | Fieldwork underway | Fieldwork complete | Draft report | Final report / complete | Control Environment | Compliance | Org impact | Comments |
|--|------------------------|-------------|----------|--------------------|--------------------|--------------|-------------------------|---------------------|---------------------|-----------------|---------------------------|
| Public Health | | | | | | | | | | | |
| Commissioning and contracting in Public Health | Q3 | | | | | | | | | | |
| Place & Economy Services Priorities and Risks | | | | | | | | | | | |
| S106 monitoring – follow up | Q4 | | | | | | | | | | |
| Management of capital projects | Q3 | | | | | | | | | | |
| Asset management – leases | Q2 | | | | | | | Limited | Limited | Moderate | Reported in February 2023 |
| Business continuity | Q4 | | | | | | | | | | |
| Fleet & fuel management | Q3 | | | | | | | | | | |
| Climate change strategy | Q4 | | | | | | | | | | |
| Planning fee income | Q2 | | | | | | | Satisfactory | Satisfactory | Minor | See section 3 |
| Waste management service | Q2 | | | | | | | Good | Good | Minor | Reported in February 2023 |
| Asset Management – compliance | Q4 | | | | | | | | | | |

| Assignment | Initial timing planned | Not started | Planning | Fieldwork underway | Fieldwork complete | Draft report | Final report / complete | Control Environment | Compliance | Org impact | Comments |
|---|------------------------|-------------|----------|--------------------|--------------------|--------------|-------------------------|---|---------------------|-----------------|----------------------------|
| Project Management Office (consultancy support) | Q4 | | | | | | | | | | As required |
| Children's and Education services | | | | | | | | | | | |
| Schools thematic audit | Q3 | | | | | | | | | | |
| Children's Trust commissioning and governance | Q4 | | | | | | | | | | |
| Early years providers | Q2 | | | | | | | Audit report issued to each nursery school. | | | |
| Engagement with schools forum and pro-active support (including Schools Financial Value Standard) | All year | | | | | | | As required | | | |
| ICT and Transformation | | | | | | | | | | | |
| ICT – Asset management | Q2 | | | | | | | Satisfactory | Satisfactory | Moderate | Reported in September 2022 |
| ICT – Access controls | Q2 | | | | | | | Satisfactory | Satisfactory | Moderate | Reported in November 2022 |

| Assignment | Initial timing planned | Not started | Planning | Fieldwork underway | Fieldwork complete | Draft report | Final report / complete | Control Environment | Compliance | Org impact | Comments |
|-------------------------|------------------------|-------------|----------|--------------------|--------------------|--------------|-------------------------|---------------------|---------------------|-----------------|---------------------------|
| 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 |
| Substantial ● | 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. |
| Good ● | 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. |
| Satisfactory ● | 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. |
| Limited ● | 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. |
| No ● | 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. |




| Organisational Impact | | |
|------------------------------|---|---|
| Level | | Definition |
| Major |  | 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. |
| Moderate |  | 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. |
| Minor |  | 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 |
|--------------------|---|---|
| 1. | Children's Trust fails to deliver to the agreed standards / failure of the Council's Intelligent Client Function (ICF). | Susan Tanner, Assistant Director of Commissioning |

| Key Control Reference | Key Control | RAG Rating (Red, Amber, Green) | Auditor Comment & Opinion |
|-----------------------|--|--------------------------------|---|
| 1. | Intelligent Client Function (ICF) is in place and clear governance arrangements set out in the contract with monitoring of performance and financial plans via operations board and strategic board. | ● Green | ICF is in place with supporting governance arrangements, as evidenced by the establishment of relevant boards and committees that meet regularly and are formalised through documented Terms of Reference, Agendas and Minutes. Actions from the 2021/22 internal audit remain subject to ongoing follow up and reporting. |
| 2. | Regular Ofsted monitoring visits will provide independent performance feedback at regular intervals. | ● Green | Since the formation of NNC, there have been two monitoring visits by Ofsted in July and November 2021 following up on a previous audit carried out in relation to the legacy county council, both of which noted improvements since the previous inspection. In addition, an Ofsted inspection took place in October 2022, with the report issued to NNC in November 2022. As confirmed with management, the NCT improvement plan will be updated to incorporate Ofsted feedback and this will be tracked via the Children's Social Care Improvement Board, where NNC is represented. In addition, the Ofsted report went to CLT on 10 th January 2023. |

| Key Control Reference | Key Control | RAG Rating (Red, Amber, Green) | Auditor Comment & Opinion |
|-----------------------|-------------|--------------------------------|--|
| | | | <p>Note – a further Ofsted report was issued in March 2023 in relation to fostering.</p> <p>Thus, it is clear that feedback from Ofsted visits is being received, as stated.</p> |

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 |
| Actions due and implemented since last Committee meeting | 10 | 77% | 18 | 31% | 3 | 25% | 31 | 37% |
| | | | | | | | | |
| Actions due within last 3 months, but not implemented | 1 | 8% | 15 | 26% | 7 | 58% | 23 | 28% |
| | | | | | | | | |
| Actions due over 3 months ago, but not implemented | 2 | 15% | 25 | 43% | 2 | 17% | 29 | 35% |
| Totals | 13 | 100% | 58 | 100% | 12 | 100% | 83 | 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) |
|--|---------------------|---|--|---|---------------|----------------------------|
| 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>March 23: On-going.</p> <p>NNC and WNC officers are having meetings with the DfE to discuss current challenges, solutions and the future arrangements for the delivery of the ICF and its functions.</p> <p>Once these are complete Assistant Directors and DCS’s in consultation with NCT will meet to develop options for the future delivery of the ICF and/or its functions which will be presented to Strategic Group for a decision. It should be noted that under the Service Delivery Contract significant change to the ICF’s current model may constitute a Notifiable Change requiring the Secretary of State for Education’s (SoSE) consent as per the Governance Side Agreement between the SoSE and Councils. If options development commences in early April a paper could be presented to Strategic Group in May or a extraordinary meeting could be convened after this but timelines are dependent on an outstanding meeting between WNC and the DfE.</p> | <p>Director of Children’s Services / Assistant Director Commissioning and Partnership</p> | 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>March 23: On-going</p> <p>The ICF continue to work with the Councils and NCT to review and agree amendments to arrangements for ICF assurance of NCT services on behalf of the Councils. The Councils and the ICF have produced a revised set of draft procedures for Unregistered placements which will be tabled for discussion at Operational Group in April 23.</p> | <p>Director of Children’s Services / Assistant Director Commissioning and Partnership</p> | 30/09/2022 | TBC |

| Audit Title and Year | Service Area | Outstanding Action | Status Update | Officer Responsible | Original Date | Revised Date (if provided) |
|----------------------|--------------|--------------------|---|---------------------|---------------|----------------------------|
| | | | <p>Work to develop and agree updated assurance processes including additional data provided by NCT, regular deep dives into thematic areas, refreshing KPI's and targets/tolerances and case tracking completed by ICF staff continues but has been delayed. NCT has commissioned a repeat LGA Peer Review which is due to complete at the end of March 2023 with a report to follow soon after. NCT has also commissioned a review of internal assurance activity due to complete mid April 2023, again with a report to follow soon after. The recommendations and outputs of both reviews will be considered in the context of decisions taken by Strategic Group regarding the future role and structure of the ICF. Once this is complete and a refreshed assurance framework is agreed it will ensure that robust scrutiny and assurance of NCT's activities in delivering services for which the Councils, through respective Directors of Children's Services have statutory responsibilities for. This will ensure that robust scrutiny and assurance of NCT's activities in delivering services for which the Councils, through their respective Directors 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 24th April 2023

| | |
|---------------|---|
| Report Title | Internal Audit Plan 2023/24 |
| Report Author | Rachel Ashley-Caunt, Chief Internal Auditor |

List of Appendices

Appendix 1: Draft Internal Audit plan 2023/24

1. Purpose of Report

- 1.1 To provide the committee with the draft Internal Audit Plan for 2023/24, for review and approval.

2. Executive Summary

- 2.1 The Internal Audit Plan for 2023/24 has been developed in accordance with the planning process presented to the Audit and Governance Committee in November 2022 and in line with the requirements of the Public Sector Internal Audit Standards. In accordance with the Standards, the plan should be reviewed and approved by the Audit and Governance Committee. The plan will then remain subject to ongoing review to ensure it remains focused on the Council's key risks and continues to add value.

3. Recommendations

- 3.1 It is recommended that the Committee:

- a) Approve the Internal Audit Plan for 2023/24, as provided in Appendix 1.
- b) Approve a delegation to the Executive Director of Finance and Performance (S151 Officer) to agree amendments to the Internal Audit Plan 2023/24 in year, as necessary, in consultation with the Chair of the Audit and Governance Committee.

- 3.2 Reason for Recommendations –

- For the Committee to exercise its duties and responsibilities under the Public Sector Internal Audit Standards.

4. Report Background

- 4.1 The role of Internal Audit is to provide the Audit and Governance Committee, and management, with independent assurance on the effectiveness of the internal control environment. The Public Sector Internal Audit Standards require that the Chief Internal Auditor must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals” and “must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management (Corporate Leadership Team) and the board (Audit and Governance Committee) for review and approval”.
- 4.2 The Internal Audit plan for 2023/24 has been developed based on an assessment of the Council’s Corporate Plan and Risk Register, and in consultation with senior management. The Chief Internal Auditor has also considered the Internal Audit coverage over the last two years and any areas where audit assurances or follow up work may be of value. The Audit and Governance Committee was consulted on any areas to be considered in the development of the Audit Plan and a workshop in March 2023 provided an opportunity to consult committee members on the key areas of coverage proposed for inclusion in the plan.
- 4.3 The draft Internal Audit Plan is provided in Appendix 1, along with details on the audit planning process. Also included in Appendix 1 is a reserve list of other risk areas identified for consideration in the audit planning process, and the proposed action if these are not to be covered in 2023/24.
- 4.4 The plan must remain live and responsive to any changes in the risk environment. As such, the content will be subject to ongoing review and it is recommended that a delegation be approved to enable in year changes to be agreed by the S151 Officer, in consultation with the Chair of the Audit and Governance Committee. Any such amendments would be reported upon at the subsequent meeting of the Audit and Governance Committee and enables the Internal Audit team to respond to such changes between formal meetings.

5. Issues and Choices

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

6. Implications (including financial implications)

6.1 Resources and Financial

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

6.2 Legal

- 6.2.1 None specific to this report.

6.3 Risk

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

6.4 Consultation

6.4.1 None specific to this report.

6.5 Consideration by Scrutiny

6.5.1 Not required on this occasion.

6.6 Climate Impact

6.6.1 None specific to this report.

6.7 Community Impact

6.7.1 None specific to this report.

7. Background Papers

7.1 None.

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Internal Audit Plan 2023/24

Chief Internal Auditor: Rachel Ashley-Caunt CPFA

Internal Audit Plan 2023/24

1. Introduction

- 1.1 This report sets out the proposed work of Internal Audit at North Northamptonshire Council for 2023/24 for review and approval by the Audit and Governance Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. The provision of assurance services is the primary role for Internal Audit in the public sector. This role requires the Chief Internal Auditor to provide an annual Internal Audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.3 Internal Audit also provide consultancy services which are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion. Any proposed consultancy/advisory work is clearly specified as such on the Audit Plan.
- 1.4 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:
- The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit and Governance Committee;
 - The audit plan should be reviewed and approved by an effective and engaged Audit & Governance Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - The Chief Internal Auditor should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations.

2. The Audit Plan

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

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

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

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

Value for money

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

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

Fraud risks

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

2.10 In addition, the Internal Audit team also support with pro-active counter fraud work and are available to provide ad-hoc advice and assistance should any concerns be raised. The Council's whistleblowing policy provides Internal Audit as a point of contact for raising concerns and, should any investigation work be required, the team includes officers with the skillset and experience to deliver fact finding investigation work.

3. Planning process

2.11 In order to ensure that the Audit Plan for 2023/24 addresses the Council's key risks and adds value, the Chief Internal Auditor has identified and prioritised the areas for coverage by:

- Reviewing the Council's Risk Registers and Corporate Plan;
- Considering the sources of assurance listed against each of the Council's risk entries, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
- Considering latest performance reporting for areas of underperformance;
- Report on the proposed audit planning process at Audit & Governance Committee in November 2022 to consult members of the committee on the process and any areas where assurance was specifically sought. This was followed by a workshop with committee members in March 2023 to discuss the audit planning process in more depth and consult on areas highlighted during the process for inclusion in the plan; and

- Meeting with members of Corporate Leadership Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

2.12 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from all councils with whom North Northamptonshire Council's Internal Audit team works.

2.13 Following this consultation and review, a draft Internal Audit Plan has been compiled and is provided in Table 1.

2.14 In order to ensure the Audit Plan addresses the Council's key risks and that the service is able to respond to any in year changes to the organisation's business, risks, operations, programs or systems, it is vital that the content of the Plan be subject to ongoing review throughout the financial year. To enable the service to be responsive and ensure all audit resources are used effectively and add maximum value, it is recommended that arrangements be agreed to allow changes to the Plan to be made between Audit & Governance Committee meetings, involving consultation between the Chief Internal Auditor, the S151 Officer and Chair of the Audit and Governance Committee.

2.15 Also provided is a 'reserve list' showing the other potential areas for coverage which were considered in the drafting of the Plan but were assessed as lower priority. Should the risk environment change, which impacts on the relevance of the planned audit work, these can be considered as potential areas for alternative audit work – depending on any wider risk implications. The details of those areas are provided in Table 2, which explains the proposed plan for seeking assurances, should the audit coverage not be included in 2023/24.

Resources

2.16 Internal Audit is delivered by the in-house service, which was established in April 2022. Over the last twelve months the Internal Audit team has sought to recruit a strong, professional team of auditors and five appointments were made during 2022/23. There remain some vacancies within the agreed structure and further recruitment exercises will take place in 2023/24. In the meantime, the plan has been based on the current team plus approximately one full time equivalent support from another public sector internal audit consortium. This arrangement gives the service flexibility in resourcing and opportunity to invest in the existing team members with training and study support.

2.17 The audit assignments are delivered by a team of audit staff with a mix of highly regarded professional qualifications (including CIPFA, ACCA and IIA) and extensive experience in the public and private sector. There are also areas of specialism that can be applied in the delivery of the audit plan – such as experience in contract audits, information systems and data protection. The allocation of audits to audit staff takes such specialisms into consideration to maximise the benefits of the skills mix and support staff development. The IT audits, for example, will be conducted by a member of the team who is currently working towards a Certified Information Systems Auditor (CISA) qualification.

2.18 Every year, all members of the team complete a declaration form to ensure and maintain independence and objectivity in conducting all assignments. As such, the Chief Internal Auditor can confirm the service's independence. The in-house team enables the Chief Internal Auditor to allocate audits to various officers over time, to avoid risks associated with over familiarity.

2.19 On an annual basis, the Chief Internal Auditor completes a self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards. In doing so, the Chief Internal Auditor must consider whether the resource base and mix is adequate and would highlight to the S151 officer and Audit & Governance Committee if there were any concerns that the resources in place could not provide the required coverage to inform the annual Assurance Opinion.

Table 1: Draft Internal Audit Plan 2023/24

| Assurance areas | Internal Audit assignments (including assurances sought) | Audit days | Risk ref *1 | Initial timing | Directorate lead |
|--|---|-------------------|--------------------|-----------------------|-------------------------|
| Key corporate controls and policies | <p>Procurement compliance To providing rolling assurances during the financial year on compliance with the Council's contract procedure rules in the procurement of goods and services.</p> | 20 | SRR10 | Six monthly | Finance & Performance |
| | <p>Information governance To provide assurance over compliance with the General Data Protection Regulation (GDPR) requirements and data protection legislation. To focus upon the key areas of secure data handling/processing; responding to data breaches; and data retention/disposal.</p> | 15 | SRR09 | Q1 | Customer & Governance |
| | <p>Starters and leavers To provide assurance over the processes and controls in place for new starters and leavers at the Council. To include submission of timely and accurate data for payroll purposes (i.e., to avoid overpayments); user administration on IT systems; access to systems and premises; and an evidenced induction and leaver process.</p> | 12 | SRR09 | Q1 | Customer & Governance |
| | <p>Staff recruitment To provide assurance over the processes applied in the recruitment of staff, including a review of the controls within the new e-recruitment system and approval to recruit.</p> | 15 | SRR11 | Q2 | Customer & Governance |
| | <p>Partnerships and hosted services To provide assurance over compliance with the partnership framework and the effective management of key partnerships/hosted services under the lead authority model.</p> | 15 | SRR02 | Q2 | Finance & Performance |
| | <p>Budgetary control and savings plans To provide assurance over the effective monitoring of Council budgets, including timely reporting and management of variances; setting and monitoring of savings plans; and control over budget virements.</p> | 15 | SRR07 SRR08 | Q3 | Finance & Performance |
| | <p>Business continuity management To provide assurance over the Council's plans and framework to support continuity of key service delivery in the case of an unplanned incident.</p> | 12 | SRR04 | Q4 | Place and Economy |

| Assurance areas | Internal Audit assignments (including assurances sought) | Audit days | Risk ref *1 | Initial timing | Directorate lead |
|------------------------|--|------------|----------------|----------------|-----------------------------------|
| | Agency workers and consultants (follow up) To provide assurance over the use of agency staff and consultants to ensure compliance with Council policy, IR35 legislation and value for money. To follow up on actions from the 2022/23 audit. | 15 | SRR10 SRR11 | Q4 | Customer & Governance |
| IT risks | Cyber security To provide rolling assurances throughout the financial year on key elements of cyber security – including preventative, detective and pro-active controls. | 30 | SRR03 | Quarterly | Chief Executive |
| | IT strategy and governance To provide assurance over the governance and strategy for the IT service, determining priority workloads, management of risk and the policy framework; and the alignment of the strategy with the Council's objectives and risk appetite. | 15 | SRR03 | Q1 | Chief Executive |
| | Disaster recovery To provide assurance over the plans for recovery of IT systems and data in the case of an unplanned incident or cyber-attack. | 12 | SRR03 | Q3 | Chief Executive |
| | IT software licensing To provide assurance over the Council's management of its software applications to manage the risks of over/under licensing and patching regimes. | 10 | SRR03 | Q4 | Chief Executive |
| Governance | Ethical governance (advisory) To support the embedding of ethical governance policies. This may include independent review of updated policies, staff and Member training/awareness promotion, support with self-assessments against latest guidance or publications (i.e., Penn report from 2023). | 15 | SRR02 | Rolling | Customer & Governance |
| Modern public services | New Customer Relationship Management system (embedded assurance) To provide independent assurances on the roll out of the new system in 2023/24, following initial April 2023 'go live'. To seek assurances over processes and compliance in Q1, ahead of wider service roll out (including data protection controls). | 18 | SRR04 | Q1 | Customer & Governance |
| | New revenues and benefits system (embedded assurance) To seek assurances over the development of this new system, to ensure consideration of key controls in the system design and timely, compliant delivery of the project and management of associated risks. | 20 | SRR04 | All year | Finance & Performance |
| | New income management solution (embedded assurance) To seek assurances over the development of this new system, to ensure consideration of key controls in the system design (including PCI DSS compliance) and timely, compliant delivery of the project and management of associated risks. | 20 | SRR04 | All year | Finance & Performance |
| | Hospital discharge invoicing | 11 | SRR08 | Q1 | Adults, Communities and Wellbeing |

| Assurance areas | Internal Audit assignments (including assurances sought) | Audit days | Risk ref *1 | Initial timing | Directorate lead |
|--------------------------|--|------------|----------------|----------------|-----------------------------------|
| | To provide assurance over the timely invoicing for hospital discharge cases – following reintroduction of processes since the pandemic. Processes should be in place to charge in a timely manner, to prevent losses / accumulation of large debts. | | | | |
| | Right to buy applications and buy backs To provide assurance over the controls applied in processing of right to buy applications and the re-purchase of properties sold via the right to buy scheme. The discounts of up to £87k attract a potential fraud risk and the sales also have implications for reducing the housing stock available. There should be controls in place to ensure compliance with Council policy and legislation; and compliant use of right to buy funds. | 15 | Fraud risks | Q1 | Housing |
| | Complaints and compliments management To provide assurance over the timely and effective recording, handling and resolution of complaints received across the Council and the reporting on complaints and compliments received to inform service development and improvement. | 15 | SRR02 | Q2 | Customer & Governance |
| | Agile working To provide assurance over the management of staff under agile working arrangements, including supervision/support; performance management; team meetings; objective setting; and compliance with a duty of care under the Health and Safety Act. | 12 | SRR11 SRR16 | Q3 | Customer & Governance |
| | Asset management – leased assets (follow up) To provide assurance over the management of the Council's leased/licensed assets and progress made in implementing actions from the 2022/23 audit. | 12 | A04 | Q4 | Place & Economy |
| | Housing repair stores (advisory) To provide independent, advisory support on controls operating over the use of Council stores, following the introduction of a new store at Corby. | 5 | Fraud risks | TBC | Housing |
| | Capital project management – Kettering library roof To provide assurance over the management of this capital project including cost/time management; risk/issue management; procurement; governance and decision making; and progress reporting. | 14 | SRR05 | TBC | Adults, Communities and Wellbeing |
| Safe and thriving places | Landlord health and safety To provide assurance over compliance regimes for housing properties, to ensure safety of tenants. To include implications from the Social Landlord Regulations. | 15 | LLS04 R&M02 | Q2 | Housing |
| | Home to school transport (follow up) To provide assurance over the full and effective implementation of actions arising from the 2022/23 audit of Home to School Transport and following the transition of the service to North Northamptonshire Council from a lead authority model. | 15 | SRR16 | Q2 | Place & Economy |

| Assurance areas | Internal Audit assignments (including assurances sought) | Audit days | Risk ref *1 | Initial timing | Directorate lead |
|--|--|------------|--------------|----------------|------------------------|
| | Highways maintenance contracts To provide assurance over the management of contracts for highways maintenance, to ensure effective, value for money services, in line with the contractual agreements. | 20 | H&W01 | Q3 | Place & Economy |
| | Housing repairs (follow up) To provide assurance over the Council's repairs service for housing stock properties. To follow up on actions agreed in the action plan for the 2022/23 audit. | 15 | R&M03 | Q3 | Housing |
| | Private sector housing enforcement and empty homes To provide assurance over enforcement activity for private sector housing, including latest Housing Health and Safety Rating System requirements for damp and mould. | 15 | SRR02 R05 | Q3 | Place & Economy |
| | Planning service transformation To provide independent assurance over the delivery of the transformation work on Planning services, following a review by the Planning Advisory Service in 2022/23. | 12 | G08 | Q4 | Place & Economy |
| | UK Shared Prosperity Fund To provide assurance over accurate record keeping for spend, compliance with funding terms and conditions, and effective application of monies to realise expected benefits and outcomes. Timing to be determined, based on progress with plans/spend. | 20 | G08 | TBC | Place & Economy |
| Greener sustainable environment | Climate change strategy To provide assurance over the Council's delivery against its climate change strategy and associated action plans. | 10 | - | Q4 | Place & Economy |
| Better. brighter futures | SEND action plan The Council is expecting a SEND inspection - to allocate time in the audit plan for a follow up of evidence of improvement against any action plans. | 12 | C08 | Q1 | Children's & Education |
| | Special Education Needs and Disabilities (SEND) To provide assurance over the process for allocating SEND funding and ensuring funding meets the needs of children. To include any implications of the Right Support, Right Place, Right Time green paper. | 15 | C08 | Q2 | Children's & Education |
| | Early years providers To provide assurance over claims from early years providers for two- and three-year-old funding and compliant/transparent invoicing arrangements. | 18 | C11 | Q2 | Children's & Education |
| | Schools – thematic review Theme to be determined at time of scoping, depending on outcomes of 2022/23 audit work, Schools Financial Value Standards submissions and risk assessment. | 35 | C10 | Q3 | Children's & Education |
| | Governance of the Children's Trust Annual assurances over the management of the Trust, including the work of the Intelligent Client Function (ICF). | 15 | SRR01 | Q4 | Children's & Education |

| Assurance areas | Internal Audit assignments (including assurances sought) | Audit days | Risk ref *1 | Initial timing | Directorate lead |
|-------------------------|---|------------|----------------|----------------|-----------------------------------|
| Active, fulfilled lives | Payments to social care providers To provide assurance over the timely and accurate payment of invoices to social care providers. | 12 | SRR07 SRR08 | Q1 | Adults, Communities and Wellbeing |
| | Continuing health care (CHC) funding To provide assurance that appropriate controls are in place to ensure the completeness and accuracy of the invoicing process to clinical commissioning groups (CCGs). To include sample testing of jointly funded care packages and a review of current systems and processes involved in the recharging/invoicing process, to ensure full and timely recovery of monies due. | 15 | SRR07 SRR08 | Q1 | Adults, Communities and Wellbeing |
| | Public health grant To provide assurance over the use of public health grant monies in accordance with grant terms and conditions and the Public Health Framework 2023-25. | 12 | SRR02 | Q1 | Public Health |
| | Recruitment and retention of social workers To provide assurance over the Council's approach to recruiting and retaining social workers. To include benchmarking with comparable authorities, where possible. To also include testing on pre-employment checks, including DBS (from efficiency perspective i.e., backlogs/process/update service) and assurance over appointments made pending DBS outcomes i.e. risk assessments completed. | 12 | SRR06 SRR11 | Q2 | Adults, Communities and Wellbeing |
| | Adult social care data quality To provide assurance over the quality of data being generated and reported in respect of adult social care. This is expected to inform the work of Care Quality Commission (CQC) inspections. | 15 | SRR06 | Q2 | Adults, Communities and Wellbeing |
| | Specialist care centres To provide assurance over the efficient and effective management of specialist care centres. Specifically, to seek assurance over the realisation of expected benefits on the Thackley Green project – which aims to support timely hospital discharge and provision of rehabilitation and short-term bed-based care. To also seek assurance over management of the Shaw Healthcare PFI contract for wider specialist care centres. | 20 | SRR06 | Q2 | Adults, Communities and Wellbeing |
| | Health and Social Care Act 2022 (advisory) LGA self-assessment tool has been issued and is being used to assess the Council's current position. To provide an independent view on this self-assessment. | 5 | SRR06 | Q3 | Adults, Communities and Wellbeing |
| | Public health contract management (follow up) To provide assurance over the management of public health contracts and actions taken since the 2022/23 audit to strengthen controls in this area. | 10 | SRR10 | Q3 | Public Health |
| | Adult safeguarding Annual assurances over key adult safeguarding processes and procedures. | 20 | SRR06 | Q4 | Adults, Communities and Wellbeing |

| Assurance areas | Internal Audit assignments (including assurances sought) | Audit days | Risk ref *1 | Initial timing | Directorate lead |
|---|---|------------|----------------|----------------|---|
| | Cygnum project (embedded assurance) To seek assurances over the timely and effective delivery of this project. This system is critical as it is used to schedule direct care visits; and hospital discharges are reliant upon the system. | 15 | SRR04 ASC03 | TBC | Adults, Communities and Wellbeing |
| Financial systems | Financial system key controls – lead authority delivery <ul style="list-style-type: none"> • Creditors • Debtors • Payroll • Pensions | - TBC | SRR07 SRR08 | Q4 | Finance & Performance |
| | Financial system key controls – in house delivery <ul style="list-style-type: none"> • Main accounting system • Treasury management • Government procurement cards (GPCs) • Local taxation • Housing benefits | 80 | SRR07 SRR08 | Q3/4 | Finance & Performance |
| Grant claims | To review and certify grant expenditure, as required, during the financial year. To include Disabled Facilities Grants, Supporting Families, Highways etc. | 60 | - | As required | All |
| Counter fraud | Pro-active and reactive counter fraud work – including assessment and investigation of referrals; awareness work; policy reviews, NFI data matching and fraud risk assessment work. | 200 | - | As required | All |
| Support to Committee and management | Including support and reporting to Audit & Standards Committee, management support and engagement, ad-hoc advice and assistance, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors. | 100 | - | As required | - |
| Development of the Internal Audit service | Including self-assessments, quality improvement planning, staff management and development and engaging with the Council at a senior level. | 50 | - | As required | - |
| Risk management support | Advisory support and co-ordination on the Council's risk management processes. | 26 | - | As required | All |
| Real time rolling risk reviews | To provide real time assurances over the existence of controls, as stated on the Strategic Risk Register. | 38 | - | As required | All |
| Total days | | 1250 | | | |

| | |
|---|---|
| *1 Risk reference key: | |
| SRR – Strategic risk register entry | A – Assets and environment risk entry |
| LLS – Landlord Services risk register entry | R – Regulatory services risk entry |
| R&M – Repairs and maintenance risk register entry | C – Children’s and education risk entry |
| H&W – Highways and waste risk register entry | ASC – Adult social care risk entry |
| G – Growth and regeneration risk entry | |

Table 2: Reserve list 2023/24

| Audit area (and source) | Comments |
|--|---|
| Fleet management (Senior management consultation and audit universe) | Fleet and fuel audit coverage in 2022/23 – targeted on counter fraud risks but considered to reduce value in another audit in 2023/24. |
| Internal quality function (Adults) (Senior management consultation) | To allow time for new processes to embed, proposed to schedule for Q1 of 2024/25. Can be re-considered for coverage in 2023/24 if higher risk associated with this. |
| Disaggregation of Shared Lives (Horizon scanning of projects) | Assigned a lower risk profile due to the scale of the service. This is subject to project management arrangements, providing management assurances. |
| Leisure centre health and safety incidents (Senior management consultation) | Leisure service provision audit coverage in 2022/23 gave good assurance and included health and safety monitoring. Management to seek assurances in meantime and can be re-considered for audit, if needed. |
| Assistive technology (Horizon scanning of projects) | Currently hosted by West Northants Council until April 2024. Given lower risk profile due to project management arrangements in place and audit coverage on Cygnum project given priority. |
| Use of volunteers (Senior management consultation) | Assigned a lower risk profile than other areas highlighted. Can be re-considered for coverage if higher risk associated with this. |
| Member empowerment fund (Senior management consultation) | Assigned a lower risk profile than other areas highlighted. Can be re-considered for coverage if higher risk associated with this. |
| Absence management (Senior management consultation and audit universe) | Assigned a lower risk profile than other areas highlighted. Can be re-considered for coverage if higher risk associated with this. |
| Modern Slavery Act (Audit universe) | Suggest management assurances be sought in 2023/24 and be re-considered for audit coverage in 2024/25. |

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Audit and Governance Committee 24th April 2023

| | |
|----------------------|--|
| Report Title | Internal Audit Charter and Strategy |
| Report Author | Rachel Ashley-Caunt, Chief Internal Auditor |

List of Appendices

Appendix 1: Internal Audit Charter and Strategy

1. Purpose of Report

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

2. Executive Summary

- 2.1 The Internal Audit Charter and Strategy should be subject to annual review and approval by the Audit and Governance Committee. This is brought for the Committee's approval to set out how the Internal Audit team will deliver the 2023/24 plan and ensure that Internal Audit has the unfettered access to systems, documentation and personnel it requires to deliver this work.

3. Recommendations

- 3.1 It is recommended that the Committee:

- a) Approves the Internal Audit Charter and Strategy as provided in Appendix 1.

- 3.2 Reason for Recommendations –

- For the Committee to exercise its duties and responsibilities within its Terms of Reference for overseeing the work of Internal Audit and the requirements of the Public Sector Internal Audit Standards.

4. Report Background

- 4.1 The role of Internal Audit is to provide the Audit and Governance Committee, and management, with independent assurance on the effectiveness of the Council's governance, risk management and internal control environment.

- 4.2 The purpose of this Internal Audit Charter is to define Internal Audit's purpose, authority and responsibility. It establishes the position of Internal Audit's activity within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of Internal Audit activities.
- 4.3 The Internal Audit Charter and Strategy is subject to annual approval by the Audit Committee. Since the Committee last approved a Charter in June 2022, the content and format has been fully reviewed and the content remains consistently aligned with the Public Sector Internal Audit Standards (PSIAS) and the elements agreed at the last annual review.
- 4.4 As part of the review, the Chief Internal Auditor has also reviewed and refreshed the Assurance Opinion definitions. These have been amended to clarify the basis for the opinion and associate these with high, medium and low risk. The assurance category of 'Satisfactory Assurance' has been removed and replaced with 'Moderate Assurance'. It is the view of the Chief Internal Auditor that this better reflects the level of findings associated with this category and avoids potential interpretation that the control environment in these cases is acceptable without further action.
- 4.5 The organisational risk categories have also been amended from 'Major', 'Moderate' and 'Minor' to 'High', 'Medium' and 'Low', to better align with standard risk management frameworks and terminology.

5. Issues and Choices

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

6. Implications (including financial implications)

6.1 Resources and Financial

- 6.1.1 None specific to this report.

6.2 Legal

- 6.2.1 None specific to this report.

6.3 Risk

- 6.3.1 None specific to this report.

6.4 Consultation

- 6.4.1 None specific to this report.

6.5 Consideration by Scrutiny

6.5.1 Not required on this occasion.

6.6 Climate Impact

6.6.1 None specific to this report.

6.7 Community Impact

6.7.1 None specific to this report.

7. Background Papers

7.1 None.

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Internal Audit
Charter & Strategy

Executive summary

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

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

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

1 PURPOSE, MISSION STATEMENT AND DEFINITION**Purpose of the Charter and Strategy**

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

Internal Audit Mission Statement

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

Definition of Internal Audit

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

2 CONTEXT

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

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

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

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

And that:

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

A relevant authority must, each financial year—

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

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

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

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

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

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

3 STRATEGY

- 3.1 Internal Audit will provide the public, councillors and Council officers with confidence that Council operations are properly governed and controlled, risks are effectively managed and service delivery meets customer need. Where confidence is not possible the service will ensure that the implications and risks are understood to ensure proportionate action is taken. Internal Audit will be responsive to the Council's needs and the risks to which the Council is exposed.
- 3.2 Internal Audit is not responsible for the control systems that it audits. Responsibility for effective internal control rests with the management / executive of the Council. Directors and Heads of Service are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services and achieve approved objectives / policy.
- 3.3 Internal Audit will provide a robust, high quality audit service that delivers honest, evidenced assurance, by:
- **Focusing on what is important**
Deploying its resources where there is most value aligned to the Council's Corporate Plan¹ priorities, the processes to facilitate these and the key risks to their achievement, whilst ensuring sufficient assurance to support the Annual Governance Statement.
 - **Being flexible and responsive to the needs of the Council**
The Annual Plan will be reviewed at least quarterly enabling Audit resources to be redeployed as new risks emerge, with the agreement of senior management and the board
 - **Being outward looking and forward focused**
The service will be aware of national and local developments and of their potential impact on the Council's governance, risk management and control arrangements.
 - **Providing assurance**
There is value in providing assurance to senior managers and Members that the arrangements they put in place are working effectively, and in helping managers to improve the systems and processes for which they are responsible.
 - **Balancing independent support and challenge**
Avoiding a tone which seeks to attribute blame and instead being resolute in challenging for the wider benefit of the Council and residents.
 - **Having impact**
Delivering work which has buy-in and which leads to sustained change.
 - **Strengthening the governance of the Council**
Being ambassadors for, and encouraging the Council towards, best practice to maximise the chances of achieving its objectives, including the provision of consultancy and advice.
 - **Enjoying a positive relationship with and being welcomed by the 'top table'**
Identifying and sharing organisational issues and themes that are recognised and taken on board. Working constructively with management to support new developments.

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

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

4 AUTHORITY

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

5 ETHICS, INDEPENDENCE & OBJECTIVITY

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

6 HOW THE SERVICE WILL BE DELIVERED

Audit Planning

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

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

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

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

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

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

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

Internal Audit Annual Opinion

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

Conduct of work

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

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

Reporting

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

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

identified in planning work;

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

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

6.10 Each report will:

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

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

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

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

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

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

Actions / Recommendations

6.15 Actions are categorised dependent on the risk as follows:

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

Follow up

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

Quality Assurance

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

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

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

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

6.19 The completion of every assignment shall be monitored against:

- end to end time

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

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

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

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

7 AUDIT AND GOVERNANCE COMMITTEE OVERSIGHT

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

8 COUNTER FRAUD AND ASSOCIATED ISSUES

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

Annex A

INTERNAL CONTROL ASSESSMENT

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

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

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

Audit and Governance Committee 24th April 2023

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

List of Appendices

Appendix 1: Strategic Risk Register

Appendix 2: Risk heat map

Appendix 3: Risk scoring methodology

1. Purpose of Report

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

2. Executive Summary

- 2.1 The Council's Risk Management Strategy defines the Council's risk management approach and the practices required to make it work. The strategy includes quarterly updates on the Strategic Risk Register for the Audit & Governance Committee.
- 2.2 An updated register is provided for the Committee's consideration. The format has been further developed and reviewed with Corporate Leadership Team and the content has been subject to a full review by management.

3. Recommendations

- 3.1 It is recommended that the Committee:

- a) Note the risk management update.
- b) Discuss and advise the Chief Internal Auditor of two risk register entries the Committee wishes to prioritise for coverage in the rolling Internal Audit risk reviews over the next six months.

- 3.2 Reason for Recommendations –

- For the Committee to exercise its duties and responsibilities within its Terms of Reference and provide independent assurance of the adequacy

of the risk management framework and the associated control environment.

4. Report Background

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

Table 1: Updates to Strategic Risk Register entries

| Risk entry | Update |
|--|--|
| Risk 02: Failure of corporate governance/meeting statutory requirements/ poor decision making. | Current score reduced from 16 to 12 (reduced likelihood from 4 to 3). Reflecting progress made with actions. This remains amber on the heat map. |
| Risk 08: Inability to remain within budget (2022/23) | Current score reduced slightly from 16 to 15 (increased likelihood from 4 to 5 but reduced impact from 4 to 3). This reduces the risk from red to amber on the heat map. Whilst the latest forecast outturn for the Council near year end remains as an overspend position, hence the increase in the likelihood, the impact has been reduced slightly as this has been allowed for within the Council's available reserves. The draft outturn report for 2022/23 will be available around June/July 2023. |
| Risk 13: Legacy legal claims of predecessor Councils | Risk description updated. Score remains at 15 (3 for likelihood and 5 for impact). |

- 4.4 To assist in informing the review of the risk register, a summary has also been provided in Appendix 2 to this report, in the form of a heat map, showing the current scores in relation to the risk framework.

- 4.5 A copy of the risk scoring methodology is provided as Appendix 3 to this report, for the Committee's information in reviewing the register. This is an extract from the Council's Risk Management Strategy.
- 4.6 As part of the annual Internal Audit Plan, rolling real-time reviews of the risk register entries were introduced in 2022/23. To date, the risks for review have been selected by the Chief Internal Auditor, based on the difference between the inherent and residual risk scores (i.e. where a greater reduction in scoring has been assigned, based on the stated controls being in place) and where other sources of assurance have not been available. The Committee's input on risk entries for prioritisation, in considering the quarterly risk register updates, would be welcomed and used to inform the audit team's work in this area.

5. Issues and Choices

- 5.1 The report provides an update on the Strategic Risk Register. The Committee has the opportunity to review the entries and scoring within the register and obtain assurance that this suitably reflects the risk environment and the risk management process is effective.

6. Implications (including financial implications)

6.1 Resources and Financial

- 6.1.1 None specific to this report.

6.2 Legal

- 6.2.1 None specific to this report.

6.3 Risk

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

6.4 Consultation

- 6.4.1 None specific to this report.

6.5 Consideration by Scrutiny

- 6.5.1 Not required on this occasion.

6.6 Climate Impact

- 6.6.1 None specific to this report.

6.7 Community Impact

- 6.7.1 None specific to this report.

7. Background Papers

7.1 None.

| Risk No. | Risk Description | Cause | Inherent Risk | | | | Residual Risk | | | | Actions | | | | | |
|----------|---|--|--|--|------------|--------|---------------|--|---|------------|---------|-------------|--|--|-------------|------------|
| | | | Effect | Owner | Likelihood | Impact | Score & RAG | Key controls | Sources of assurance over controls | Likelihood | Impact | Score & RAG | Actions | Owner | Target Date | Action RAG |
| 1 | Children's Trust fails to deliver to the agreed standards / failure of the Council's Intelligent Client Function (ICF). | NCT does not meet its requirements in the improvement plan. ICF fails to identify and address areas for improvement. | Risks to child safeguarding. Poor quality of service and outcomes for service users. | Exec Director of Children's Services | 3 | 4 | 20 | Intelligent Client Function (ICF) is in place and clear governance arrangements set out in the contract with monitoring of performance and financial plans via operations board and strategic board. Regular Ofsted monitoring visits will provide independent performance feedback at regular intervals. | Ofsted inspections. Internal Audit of governance arrangements 2021/22: Satisfactory Assurance - with action plan in place to prioritise areas for improvement. Regular DCS/ Lead Member Assurance meetings. Governance arrangements (regular operational and Strategic Group meetings etc) in place. | 3 | 5 | 15 | Complete restructure and recruit to posts. Restructure has been approved through CLT, finance sign-off now secured. Plan in place to operationalise restructure and recruitment (subject to full consultation with DCF). | Assistant Director of Commissioning | Jun-23 | Yellow |
| 2 | Failure of corporate governance/meeting statutory requirements/ poor decision making. | Lack of awareness of decision making and legislative requirements. Continuation of processes from predecessor authorities which are no longer in place. Culture of good corporate governance not permeated through organisation. Lack of legal support and updates on legislative changes. Strong governance processes not yet implemented for all matters. | Failure to ensure best value. Breach of legislation which increases risk of legal challenge. Unlawful decisions made. | Director of Customer & Governance | 4 | 5 | 20 | Decision making training undertaken and resources available on intranet. Stabilised legal and democratic service to provide proactive advice. Implementation of processes and procedures to support a good corporate culture. Legal support being proactive and engrained in services. Governance processes continuing to be implemented. | Records of decision, Forward Plan, increased advice from legal and democratic services. Audits of service. Policies and Procedures. | 3 | 4 | 12 | A programme of training and engagement for all staff will be implemented. | Assistant Director of Legal and Democratic | Mar-24 | Green |
| 3 | Loss of data or systems due to cyber attack | Failure of preventative and detective controls leads to successful attack on Council systems. | Disruption to service delivery. Reputational damage and loss of customer confidence. Financial loss, penalties and fines. | Assistant Chief Executive | | | | | | | | | | | | |
| 4 | Disruption to service delivery and community due to unplanned incident or emergency | Lack of adequately resourced, experienced staff to fulfil BC roles. Lack of understanding of BC processes by Service Areas. Failure to address critical BC issues. Lack of completed BC plans to support with an internal disruptive event. Inadequate Emergency Planning arrangements arising from insufficient EP capacity and/or a lack of organisational engagement. | Failure to deliver timely and effective BC Work Programme. BC arrangements not in place. Ineffective response to a BC incident. Low levels of resilience exacerbating impacts. Public harm, financial losses, reputational damage, legal failures, fines, service failure, staff absence. Poor response to incidents and emergencies leading to loss of life, serious public harm, serious economic harm, serious environmental harm, increased financial losses, failure of critical functions, significant reputational damage, legal failures and penalties | Exec Director of Place & Economy | 5 | 4 | 20 | Workforce planning; Training plans; Effectively managed BC programme; Adequate investment to address critical resilience issues; Defined, established and rehearsed emergency management processes. Key contractors are required to outline BC arrangements as part of the contract procedures rules | NNC has an established Critical Incident Plan which is supported by emergency management arrangements to provide a core capability for the management of disruptive incidents. This includes a duty rota for Gold and Silver officers to ensure coverage for key command roles. Strategic and Tactical Emergency Management Training was delivered by the Emergency Planning College in July 2022. These arrangements have been validated by incidents in the last 12 months. Where lessons were identified, action is underway to address these issues NNC has an established BC steering group to coordinate and oversee the development of BC arrangements across the organisation | 3 | 4 | 12 | Ongoing delivery of the BC work programme under direction of BC steering group Continued roll out of BC assessment tool and plans template and provision of support to services in completion Complete review of NNC Critical Incident Plan Recruitment to vacant roles in the Emergency Planning Team Review NNC BC planning assumptions in light of revised National Strategic Risk Assessment Commence planning for corporate BC exercise | Matt Hoy | Sep-23 | Green |
| 5 | Failure of capital and revenue projects to deliver upon intended benefits, within budget and planned timeframes. | Multiple causes including inflationary impact, cost of borrowing, lack of resources, lack of pace, poor scoping of activities, outcomes and benefits, time slippage, budget or scope creep, change of legislative or original priorities, external factors taking priority | Failure to deliver timely and effective projects. Financial penalties. Reputational damage. Legal implications. Service failure. Customer/community impact. | Exec Director of Finance & Performance | 4 | 4 | 16 | Defined governance programme in place including: Place Capital Programme Board; Strategic Capital Board. There will be corporate governance under the remit of the constitution and Senior Responsible Officer with scheme of delegation, CLT; Member Transformation Board (where appropriate). Reporting into Service Delivery EAPs (where appropriate). Quarterly Capital and Monthly Revenue Reports to Executive and the following Finance and Resources Scrutiny. Individual Project Boards established for relevant projects. Capital Update report on new/changing projects to Executive each month. | Internal Audit Review of Capital Programmes scheduled for 2022. Internal Transformation Team reviews and Internal Audit (recent "Good" score for disagg programme, for example). Process for approval of capital projects reviewed by Finance and Resources Scrutiny Committee. | 3 | 4 | 12 | Scrutiny of programme progress at established Boards and ad-hoc e.g project/programme audits by Transf. Team or Internal Audit. New Performance / PMO role established in finance to monitor project progress and risks - to be recruited to. Dedicated Head of Capital Projects (property) proposed to ensure sufficient capacity to manage current and forthcoming projects effectively. | Executive Director of Finance and Performance/ CLT Owner | Ongoing | Green |
| 6 | Failure to safeguard vulnerable adults. | Failure to meet statutory requirements under the Care Act. The Care Act 2014 sets out that the local authority must act when it has reasonable cause to suspect that an adult in its area has needs for care and support or is experiencing or at risk of abuse or neglect. | An adult is harmed due to failure to exercise safeguarding duties. Financial implications. Reputational damage. Failure to meet areas of importance. Continue to neglect individuals' wellbeing. Poor outcome for people. | Exec Director of Adults, Health Partnerships & Housing | 4 | 5 | 20 | Audit compliance NSAB Delivery Board Workstream on Safeguarding KPI data reporting on Safeguarding Training on Safeguarding Quality Assurance Board with Commissioning Forthcoming Safeguarding Audit to be established. Principal Social Worker Framework | Safeguarding audits by Team Manager Safeguarding & Quality. Safeguarding audits by Team Managers and Principal Social Workers from April 23. Implementing actions for improvement identified in internal audit reports. Internal Audit of Adult Safeguarding referrals 2021/22 - satisfactory assurance Internal Audit of DoLS 2021/22 - limited assurance: | 3 | 4 | 12 | Roll out of safeguarding audits by Team Managers and Principal Social Workers from April 2023. Audit results analysed, reported and actions identified with feedback to teams. Updated guidance on safeguarding process written – process map and updated Eclipse Guidance to be added. Work with individual teams on KPIs and processes. Notification of concern guidance written. Large Scale Investigation guidance being written. CQC Ensuring Safety - joint training with Health on statutory responsibilities including performance, other stakeholder responsibilities including reporting timeframes, information sharing, externally allocated S42, Understanding Making Safeguarding Personal. Notification of Concern Guidance written. Large Scale Investigation process being written. | ED and ADs - Adult Social Care | Ongoing | Green |

| | | | | | | | | | | | | | | | | |
|----|---|---|--|--|---|---|----|--|---|---|---|----|---|---|---------|--|
| 7 | Unsustainable finances (medium term from 2023/24) | Whilst the budget for 2023/24 is balanced, the position for 2023/24 onwards continues to be uncertain due to the prevailing economic climate particularly inflationary factors for pay and prices, most notably the impact of energy inflation as well as demand pressures, such as children's services and adult social care. There remains risks from COVID-19 in some form and continuing LGR/transformation related changes as services are disaggregated and/or reformed as well as the Government review of funding for Local Authorities which is anticipated in the next Parliament. This risk reflects this uncertainty. | Resources are insufficient and this results in non achievement of Corporate Plan priorities, with consequent negative impacts on residents and other stakeholders. | Exec Director of Finance & Performance | 4 | 4 | 16 | Budget balanced for 2023/24. Indicative budget requirements highlighted from 2024/25. Ongoing intelligence and lobbying alongside working to ensure robustness of the budgets for future years, including timely responses to the consultation on LA funding at the appropriate time. Financial planning and budget proposals and savings / income generation options. Budgets based on prudent assumptions. Challenge of budget proposals. All work linked to future transformation programme across all aspects of the Council. Transformation and specific working groups to address specific budget areas. Review potential external funding opportunities to meet service need. | CIPFA Financial Management Code self-assessment Budget Scrutiny Arrangements | 3 | 4 | 12 | Continuing development of the MTFP for minimum 3 years. Budget 2023/24 approved February 2023. Work with services to identify efficiencies, cost controls and income generation to protect vital services. Factor in any announcements from the Chancellor's Spring/Autumn Budget Statements (generally March and November each year) and the Spending Review. Strong focus on robust controls for areas outside the General Fund, ie DSG and HRA. Respond to Government consultation on any funding review. | Executive Director of Finance and Performance | Ongoing | |
| 8 | Inability to remain within budget (2022/23) | There are several areas which will impact to varying degrees including issues arising from LGR and legacy arrangements which have not been factored into the budget in line with actual requirements and were unknown when the 2022/23 budget was set, the requirements from demand led services such as children's social care and Home to School Transport outstripping the budgetary provision and the severe impact of higher than anticipated inflation (both pay and prices). The level and extent of the inflationary increases could not have been foreseen at the time the budget was set. The cost of living crisis including energy price rises continues to place further demand on the cost of services as well as present difficulties for income generation in areas such as leisure. | The Council will overspend, which will impact on the level of reserves. The Council is currently forecasting an overspend predominantly due to demand and price pressures. | Exec Director of Finance & Performance | 5 | 4 | 20 | Ongoing monitoring and scrutiny. Reserves and contingency to offset in year pressures. Robust governance arrangements for approval of any new/unplanned spend or proposals. Closely monitor the financial position and work with colleagues to mitigate any pressures in year. Continue to work through the budget to identify underlying issues and risks and address as part of the MTFP (this has been done for 2023/24). | CIPFA Financial Management Code self-assessment. In year monthly monitoring to Executive and regular scrutiny by the Finance and Resources Scrutiny Committee including scrutiny of Children's Services position which is operated through the Children's Trust. Children's Trust position also reported to the Operational Commissioning Group and the Strategic Commissioning Group for review. | 5 | 3 | 15 | Work to identify in-year mitigation as well as close working with the Children's Trust to understand the driving factors for, and the potential for mitigation. Set aside reserves to meet shortfall. | Executive Director of Finance and Performance | Ongoing | |
| 9 | Inadequate data sharing and data security arrangements leading to non-compliance with legislative requirements. | Processes and procedures are not effective. Officers do not comply with processes and procedures. Inadequate training to promote requirements and risks. Information Asset Registers aren't complete. | Loss of data. Financial fines/penalties. Reputational damage. | Exec Director of Customer & Governance | 3 | 4 | 12 | Information Asset Registers. Data protection training for staff and Members. Data protection policies and guidance for staff. Data Protection Officer in post IT health checks including penetration testing, information sharing agreements with partners and agencies | Internal Audit of Information Governance 2021/22 - Satisfactory assurance. | 3 | 4 | 12 | Predecessor storage arrangements to be considered and business case put together | Data Protection Officer | Jun-23 | |
| 10 | Procurement - Key suppliers of goods and services (including hosted / shared services) fail to deliver standards and capacity - thereby, impacting on the Council's ability to operate effectively in delivery/provision of services. | This may be due to lack of financial resilience or other factors, impacting the onward ability of the Council to secure required services to its residents. A key risk given COVID impact, inflationary pressures, negotiation of UK trade deals following UK Exit and lack of competition in some markets. Poor contract management may lead to failure to highlight and address performance issues effectively. | Financial and legal implications for the Council. Implications for maintaining appropriate standards for key service functions and impact on customers. Reputational damage for the Council and the Contractor. Early termination of the contract because of operational failures by the Contractor. Withdrawal of the service by the Contractor owing to dispute with the Council. Legal challenge on award of contracts / failure to achieve value for money. | Exec Director of Finance & Performance | 3 | 4 | 12 | Professional Procurement Teams in place to support services in effective management of procurement lifecycle; including supplier due diligence. Includes involving all directorates. Contract management register and risk assessment in place. Bankruptcy / Liquidation Policy to enable consistent response to supplier failure. Enhanced due diligence arrangements developed and Due Diligence working group in place. Risk reduced but maintained at medium due to wider risks of supplier resilience outside of control of the Council and acute given ongoing impacts of Covid19 and of agreeing post EU trade deals. Reporting to: Commercial Board, CLT and Resources and Governance Scrutiny Committee | Internal Audit review of Procurement Compliance 2021/22 (Satisfactory assurance rating) Internal Audit review of Contract Management in Place and Economy (Good assurance rating). | 2 | 3 | 6 | Ongoing work with Directorates regarding Procurement requirements and maintenance of the Contract Register with a view to timely procurement and greater contract negotiation potential. | Head of Procurement | Ongoing | |
| 11 | Inadequate organisational capacity. | Increased turnover resulting in increased vacancies. Recruitment challenges due to a buoyant employee market. | Reduced service provision, negative impact on health and wellbeing of officers | Exec Director of Customer & Governance | 5 | 4 | 20 | Data considered regularly. HR Policies to support effective recruitment. People Plan in place to support employees. Future Ways of Working Strategy in place to attract employees and support health and wellbeing as well as ensuring excellent services are delivered. Managers supported to understand areas and any organisational challenges. Apprenticeship Policies being implemented to support "grow your own". Managers Network established to support managers with implementation of values. | HR data presented regularly. Management information provided to managers within the organisation. Policies and Procedures. | 3 | 4 | 12 | | | | |
| 13 | Legacy legal claims of predecessor Councils. | Matters arising from actions/omissions of previous authorities which may be challenged | Reputational damage, financial and legal implications | CLT | 3 | 5 | 15 | Risk Registers, understanding of previous actions/omissions by senior management. | Risk Registers | 3 | 5 | 15 | High risk case log prepared (live document) to track and manage cases | | | |
| 14 | Consolidation and/or disaggregation of services into the new Unitary delivery. | Significant recruitment Onboarding staff from WNC to NNC. Pay and responsibility differentials. | Reduced levels of services to customers Difficult to recruit to key/statutory posts Increased cost of service delivery | CLT | 3 | 4 | 12 | Agreed HR process & disaggregation principles between NNC/WNC on transfer of staff Updates to Statutory staff consultation process in place Directorate forums with Unions to include info on new service structures Transformation impact assessments undertaken | Transformation Impact Assessments Transformation Business cases Transformation decision process through Joint Officer Board and Shared Services Joint Committee Member Transformation Board Directorate Union consultation Forums | 3 | 4 | 12 | Detailed Transformation Plans reflect the remaining areas of disaggregation to be finalised | CLT | Mar-24 | |

| | | | | | | | | | | | | | | | | |
|----|---|---|--|--|---|---|----|--|---|---|---|----|--|--------------------------------|---------|--|
| 16 | Breaches of health and safety responsibilities result in injuries/harm to staff, tenants or service users. | <p>People Ineffective or insufficient competent advice. A lack of leadership engagement and competence in HSW matters. Lack/loss/movement of those with additional H&S responsibilities. IT Unavailable IT systems to aid risk management.</p> | <p>Injury / harm to individual(s). Financial penalties and fines. Prosecution of organisation and/or individuals. Reputational damage. Employees do not feel safe and supported and decide to leave employment.</p> | Exec Director of Customer & Governance | 5 | 5 | 25 | <p>*Nominated Director for HSW (Exec Director Legal & Governance) *HSW policy in place and signed off Chief Exec. *Supplementary procedures on specific risks / processes. Procedures have identified owners across various departments. *HSW intranet pages to publish / communicate information. *Contracts for occ health, eye care and eap provider in place. *Competent Advice - HSW team re-structure completed, maintain resource requirements and team competencies. *Providing adequate Information, Instruction, Training and Supervision. *Certificate of employers liability insurance / policy statement published on intranet and notice boards where staff don't have access to this.</p> | <p>*Management self-audits and inspections (HSW Management Tool) *HSW team led audits. *Reporting and investigation of accidents and incidents. *HSW monitor accident and incident reports. *Competent person inspections of plant and equipment. *Internal audit. *Routine/non-routine visits from enforcement authorities (fire, hse). *Directorate HSW forums and Joint HSW committee's established (Orly meetings).</p> | 3 | 5 | 15 | | | | |
| 18 | Transformation Plan not delivered as endorsed by Executive, affecting the ability to deliver benefits of projects/programmes within the plan. | <p>External (corporate wide or external to organisation) pressures impact upon the delivery of the Transformation team. increase in service demand for Transformation – leading to the service being overwhelmed by competing demands on resources and disappointment amongst customer base with pace achieved.</p> | <p>Failure to deliver planned benefits and savings.</p> | CLT | 3 | 4 | 12 | <p>An Enabler Working Group has been set up to review competing priorities / resource demands and there will be regular reviews of gateway process to evaluate urgency/criticality of new project proposals. Governance within the Transformation Programme including: Officer Transformation Board; Member Transformation Board. Reporting into Service Delivery EAP. Individual Project Boards established for relevant projects. Transformation Change Control process. Transformation Plan approved.</p> | <p>Internal reviews and Internal Audit (recent "Good" score for disagg programme, for example)</p> | 3 | 3 | 9 | Transformation Plan resides with individual Executive Directors and is overseen through the Member Transformation Board. | CLT | Ongoing | |
| 19 | Pay and Grading resources and expertise | <p>Pay and Grading is regarded as HR project rather than corporate transformation project. There is a lack of specialist resource in North to lead and support this critical work. AD leading this, as well as other key projects - e recruitment, FWOV people workstream, people strategy and disaggregation of L&D.</p> | <p>Serious risk that the project will drift and not achieve the aims of a competitive and comprehensive pay and reward structure for the North. Financial risks if financial expertise and capacity is not integral to the project. Financial risk to HR budget as this should not be a pressure on the HR budget.</p> | Exec Director of Customer & Governance | 4 | 4 | 16 | <p>Establish Pay and Grading as a corporate transformation project and resource with adequate specialists / expertise.</p> | | 4 | 3 | 12 | Continue to seek additional specialist resource and utilise substantive team where possible. | Assistant Director of HR | Ongoing | |
| 20 | Cost/Service Need being in excess of budget and activity anticipated due to Cost of Living impact | <p>National/global recession resulting in business failure and unemployment Growth or decline of the local/national economy - adverse impact on interest rates, inflation and service demand</p> | <p>Increased requirement for benefits, housing, Council Tax support, business advice and support. Adverse impact on demand led services eg homelessness. Adverse impact on other services due to reduction in disposable income eg use of leisure facilities. Impact on services to deliver support packages</p> | CLT | 4 | 4 | 16 | <p>Emergency Planning Business Continuity Plan - Reviewed as part of Business Continuity Arrangements through Emergency Planning Team. Identified area on the Council's website to provide details of support for residents including wider link to Government support - https://www.northnorthants.gov.uk/cost-living Existing Council support mechanisms for those in need and wider community support networks Specific government funding streams such as Household Support Fund; £150 Energy rebate etc administered by the Council. Macro controls to offset inflation. However, this often means interest rate rises and affects predominantly home owners.</p> | <p>Emergency Planning Business Continuity Planning Process and information dissemination. National Announcements for Government support - https://www.gov.uk/cost-of-living-yo help alleviate individual and organisational pressures. Current service provision and controls including work with community groups. Bank of England control mechanism</p> | 3 | 4 | 12 | Specific group set up to look at implications arising from the cost of living crisis and impact/support. | Assistant Director Communities | Ongoing | |

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Strategic risks – current scores

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

| Ref | Risk |
|-----|---|
| 01 | Children's Trust fails to deliver to the agreed standards / failure of the Council's Intelligent Client Function (ICF). |
| 02 | Failure of corporate governance/meeting statutory requirements / poor decision making. |
| 04 | Disruption to service delivery and community due to unplanned incident or emergency. |
| 05 | Failure of capital and revenue projects to deliver upon intended benefits, within budget and planned timeframes. |
| 06 | Failure to safeguard vulnerable adults. |
| 07 | Unsustainable finances (medium term) |
| 08 | Inability to remain within budget (current year) |
| 09 | Inadequate data sharing and data security arrangements– leading to non-compliance with legislative requirements. |
| 10 | Procurement - Key suppliers of goods and services (including hosted / shared services) fail to deliver services to the required standards and capacity. |
| 11 | Inadequate organisational capacity. |
| 13 | Historic and Legal issues that the Council inherits from predecessor Councils. |
| 14 | Consolidation and/or dis-aggregation of services into the new Unitary delivery. |
| 16 | Breaches of health and safety responsibilities result in injuries/harm to staff, tenants or service users. |
| 18 | Transformation Plan not delivered as endorsed by Executive, affecting the ability to deliver benefits of projects/programmes within the plan. |
| 19 | Pay and Grading resources and expertise. |
| 20 | Cost/Service Need being in excess of budget and activity anticipated due to Cost of Living impact. |

Risk scoring matrix

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

Appendix 3 Risk scoring methodology

Impact Descriptors

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