

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

Monday 5th September, 2022

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

### **Present:-**

#### Members

Councillor Andrew Weatherill (Chair)

Councillor Jean Addison

Councillor Ian Jelley

Councillor Anne Lee

Councillor Richard Levell

Councillor Paul Marks

Councillor Mark Pengelly

Councillor Russell Roberts

#### Officers

Janice Gotts (Executive Director of Finance (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)

AnnMarie Dodds (Executive Director of Children's Services)

Susan Tanner (Assistant Director Commissioning and Partnerships)

Rory Seymour (Commissioning Manager)

Colin Foster (Chief Executive – Northamptonshire Children's Trust) (NCT)

Andrew Tagg (Director of Finance – Northamptonshire Children's Trust) (NCT)

Cornelia Andrecut (Director of Social Care – Northamptonshire Children's Trust)  
(NCT)

Neil Harris (Ernst & Young – External Audit)

Paul Harvey (Grant Thornton – External Audit)

Fiona Hubbard (Senior Democratic Services Officer)

Raj Sohal (Democracy Officer)

Councillor Lloyd Bunday, Portfolio Holder for Finance and Transformation and  
Councillor Wendy Brackenbury, Chair of the Scrutiny Commission, also attended the  
meeting.

### **73 Apologies for non-attendance**

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

### **74 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.

## 75 Minutes of the meeting held on 1 August 2022

### RESOLVED:

- (i) The minutes of the Audit and Governance Committee held on 1 August, be confirmed as a correct record and signed.

## 76 Audit Results Report East Northamptonshire Council 2020-2021

The Committee received a report by the Assistant Director of Finance and Accountancy to present the draft ISA 260 Report in relation to the Statement of Accounts for East Northamptonshire Council for 2020/21.

Neil Harris (Ernst & Young – External Audit) explained in detail the key areas and points within the draft ISA 260 Report.

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

- (i) A Member queried if the matter of the fictitious payment had been resolved. In response, the Assistant Director of Finance and Accountancy gave an update and explained the procedures and controls now in place in relation to setting up direct debits;
- (ii) Another Member referred to Neil Harris leaving and wanted to ensure that any additional expenses incurred, if Neil Harris was unable to sign off the audit before he left resulting in additional work in transitioning to a new audit partner, would be a cost to Ernst & Young (External Audit) and not North Northamptonshire Council. Neil Harris considered that such costs would be attributable to Ernst & Young (External Audit);
- (iii) A Member queried the net pension liability and Neil Harris (Ernst & Young – External Audit) and the Assistance Director of Finance and Accountancy explained that this was based on the actuary's opinion and in accordance with accounting standards;
- (iv) Another Member asked a question in relation to the valuation of pension scheme assets and did that impact the amount members pay into the pension. Neil Harris (Ernst & Young – External Audit) explained that there is a triennial valuation undertaken by the scheme actuary which is on a different basis to the valuation for accounting year end purposes. It is the triennial valuation that sets employer and employee contributions and agrees any necessary deficit repair contributions from employers;
- (v) The Committee were informed that the Council's finance team were working hard with Neil Harris (Ernst & Young - External Audit) providing audit samples working towards a tight deadline to finalise the accounts before Neil Harris left on 9 September.

**RESOLVED:**

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

**77 Draft Statement of Accounts East Northamptonshire Council 2020-2021**

The Committee received a report by the Assistant Director of Finance and Accountancy to receive and approve the draft Statement of Accounts 2020/21 for East Northamptonshire District Council.

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

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

- (i) A Member queried why the external audit related costs (note 28 in the draft Statement of Accounts) for additional external audit fees for 2019/20 did not show up in last year's accounts. In response, the Assistant Director of Finance and Accountancy stated that the Council are advised by Ernst & Young (External Audit) of the costs to put in and would be an estimate of the costs occurred during this year.

**RESOLVED:**

- (i) The Audit and Governance Committee:
  - (a) Approved the draft Statement of Accounts for the financial year 2020/21 for East Northamptonshire District Council subject to the conclusion of the audit and that there are no material adjustments that impact on the Council's usable reserved; and
  - (b) Any non-material adjustments to the draft Statement of Accounts in relation to East Northamptonshire District Council be delegated to the Council's Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit and Governance Committee.

**78 Report of Children's Services (including Northamptonshire Children's Trust)**

The Committee received a report from the Executive Director of Children's Services in relation to Children's Services and the arrangements with Northamptonshire Children's Trust (NCT). In addition to the report the Committee also received an additional report from the Northamptonshire Children's Trust (NCT) from the Chief Executive, the Director of Finance and the Director of Children's Social Care in relation to Northamptonshire Children's Trust.

At the meeting of the Audit and Governance Committee on 20 June 2022, the Committee requested officers contact Northamptonshire Children's Trust with regard to contractual arrangements and access to documents and records and considered it would be appropriate for the Executive Director of Children's Services and a representative to address the Audit and Governance Committee. The Chair of the Audit and Governance Committee wrote to the Executive Director of Children's Services and the Chief Executive of Northamptonshire Children's Trust (NCT) to invite them to address the Committee, with a particular focus on the sources of assurance for both Northamptonshire Children's Trust (NCT) and North Northamptonshire Council.

The Executive Director of Children's Services presented a report and the Committee received a presentation from the Assistant Director Commissioning and Partnerships in relation to an overview of the work of Children's Services and the arrangements with Northamptonshire Children's Trust (NCT). The presentation included how the key risks (financial and non-financial) were managed, deriving assurance on performance and controls (internal and external) and arrangements for risk, control and Governance arrangements.

Arising from consideration of the report and discussion, the Executive Director of Children's Services responded to questions from the Committee and the following principal comments were made:

- (i) The Committee asked for an explanation and overview of the set-up of the budget funding and where this comes from and referred to the overspend and questioned if the budget factored in increases in fuel costs and wages. The Executive Director of Children's Services responded that negotiations for funding were just about to be entered into, and would run through to October, and the final contact value would be negotiated with Finance and Northamptonshire Children's Trust (NCT). She added that the overspend was mainly attributable to increased staffing and placement costs and social care staff;
- (ii) A member asked how the arrangements that were originally set up were operating with Northamptonshire Children's Trust (NCT). The Executive Director of Children's Services reported that the Ofsted Monitoring Visits of which there have been 4 since the last Ofsted Inspection of Local Authority Children's Services (ILACS) Report, but which are not graded, were largely positive. She advised that Northamptonshire Children's Trust's (NCT) first ILACS Report is due imminently in Autumn 2022 and that this would be the first since the inadequate Ofsted ILACS Report of the former Northamptonshire County Council in June 2019;
- (iii) Another Member asked if information relating to performance indicators are available to Corporate Parents. In response, the Executive Director of Children's Services advised that the Corporate Parent Panel receive this information;

- (iv) With regard to the £4 Million overspend a Member asked if this included the share to West Northamptonshire Council and had concerns in relation to the cost of placements. In response, the Executive Director of Children's Services confirmed that the £4 Million was North Northamptonshire Council's share of the overspend;
- (v) A Member commented that the set-up of Northamptonshire Children's Trust (NCT) was inherited by the Shadow Board of North Northamptonshire Council and asked if there was a case to negotiate some of the terms and requested a copy of the Northamptonshire Children's Trust's Annual Report. In response, the Executive Director of Children's Services stated that it was an inherited Agreement and re-negotiation would be down to the Service Delivery Contract. She referred to the reason of the set-up of the Trust and described the good relationship between Children's Services and Northamptonshire Children's Trust (NCT) by nature of that contract. She understood the Annual Audit Report is planned to be reported to Full Council. The Chair requested that this report be made available to the Audit and Governance Committee if it is agreed and final;
- (vi) The Chair acknowledged that whilst there is a good relationship with Northamptonshire Children's Trust (NCT), there are significant legal responsibilities for the Director of Children's Services, the Audit and Governance Committee for the risks and controls and all Council Members who have the legal responsibility of being a 'Corporate Parent'. The Chair commented that the Committee has relatively limited access to assurance information other than that from the Intelligent Client Function (ICF), in comparison to the level of assurance that is able to be obtained for other areas of activity. The Chair asked the Executive Director of Children's Services how she felt given her position of being legally accountable and asked if she felt given the current structure and arrangements if she considered there was any restriction of access to information, as e.g. he considered the level of internal audit activity within Northamptonshire Children's Trust (NCT) and North Northamptonshire Council was low given its size, complexity and level of inherent risk of Children's Services. In her response, she stated it was a difficult position to hold as Statutory Officer for Children's Services and it was a great challenge, but she respected the decision of the Department of Education to form a Trust to run the services;
- (vii) The Chair commented that there was clearly a good relationship with Northamptonshire Children's Trust but did the Executive Director of Children's Services feel that she was getting an adequate level of assurance as this Committee felt exposed given the assurance levels it has been able to obtain. In response, the Executive Director of Children's Services, stated that she did not think any Director of a Council or Trust, would not feel exposed. She added that she was grateful to have the Trust and reported there are many structures that assist her and that gives her assurance;
- (viii) The Committee thanked the Executive Director of Children's Services for the work that she does and for attending the Committee.

The Chief Executive of Northamptonshire Children's Trust (NCT) presented his report and addressed the Committee with a presentation. He was also accompanied by the Director of Finance (NCT) and the Director of Social Care (NCT). The Committee received the presentation in relation to an overview of the key risks and audit arrangements in Northamptonshire Children's Trust (NCT), the keys risks (financial and non-financial) and how they are managed, deriving assurance on performance and controls, arrangements for risk control and Governance arrangements and obtaining assurance from the work of audit and audit arrangements. In addition, the Chief Executive of Northamptonshire Children's Trust (NCT) explained the background to the formation and the position of the Trust now. He reported there is a good relationship between the Trust and the Council's Children's Services and emphasised there was nothing to hide.

Arising from consideration of the report and discussion, the Chief Executive of Northamptonshire Children's Trust (NCT) responded to questions from the Committee and the following principal comments were made:

- (i) A Member asked if the Trust had enough money in the budget. In response, the Chief Executive of Northamptonshire Children's Trust (NCT) stated that the contract for the budget was an ongoing negotiation and on level of demand;
- (ii) Another Member queried when the Trust's Annual Audit Report would be ready. In response, the Chief Executive of Northamptonshire's Children's Trust (NCT) stated that the report was completed on time and was going to Full Council. The Committee requested a copy of the document through the correct democratic process.

The Director of Finance of Northamptonshire Children's Trust (NCT) addressed the Committee and explained that the Internal Audit Annual Report and Annual Statement of Assurance was carried out by BDO and commissioned by West Northamptonshire Council. He reported that next year's audit would be presented by the Chief Internal Auditor of West Northamptonshire Council and the Trust would be happy to have representation from North Northamptonshire Council too.

Members made the following principal comments in relation to the Internal Audit Annual Report and Annual Statement of Assurance:

- (i) The Chair was critical of aspects of the Internal Audit Annual Report and Annual Statement of Assurance. This included, e.g. no internal audit activity for a significant part of the year as the programme commenced in month 11, the overall opinion for a relatively large and complex body which manages significant risks being based on only 6 completed internal audits, no follow up of prior recommendations from the predecessor body had an inadequate Ofsted rating, no follow up programme of existing programme recommendations and a potential conflict with reporting of internal audit activity to a combined Finance, Resources and Audit Committee. In response the Chief Executive of Northamptonshire Children's Trust (NCT) agreed that the programme had started later than expected and advised that the Governance arrangements had been modelled on another Children's Trust organisation;

- (ii) A Member queried who designed the audit programme. The Chief Executive of Northamptonshire Children's Trust (NCT) advised that the Chief Internal Auditor from Milton Keynes with former Northamptonshire County Council colleagues designed the audit programme and this was factored into the Service Level Agreement. The Finance Director of Northamptonshire Children's Trust (NCT) added that this audit was led by a person from BDO and was no fault of West Northamptonshire Council. In response, the Chief Internal Auditor commented that she would like to see a link between organisational risk and the internal audit coverage and would also value some assurance over the completion of legacy audit recommendations to confirm how these were taken forward and provide some assurance to the Audit and Governance Committee. The Finance Director of Northamptonshire Children's Trust (NCF) stated that he would discuss this matter with the Assistant Director of Commissioning and Partnerships as the Trust want the best audit programme and to work together. The Chief Internal Auditor welcomed the opportunity to meet and work with the Trust and colleagues from West Northamptonshire Council;
- (iii) The Committee welcomed the presentation and thanked the Northamptonshire Children's Trust (NCT) team for their attendance and openness and specifically for the updates and advised that the Committee wanted to be part of this by helping and being involved in improving the control environment. They considered the Trust to have a plan and a team in place for this vital work. The Chair added that the Committee considers that we are in this together and Members want to support and give their views relating to the control environment and sources of assurance.

**RESOLVED:**

- (i) The Audit and Governance Committee noted the contents of the reports.

**79 Internal Audit Progress Report**

The Committee considered a report by the Chief Internal Auditor of 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 the planned audit work and several grant certifications had also 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 key areas and points, including the addition to the Internal Audit Plan of follow up audits on Temporary Accommodation and Asset Management; and seeking approval to the postponement of audits on Development Management and Transformation until 2023/24.

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

- (i) A Member asked when timings were expected for the Transformation audit and if the Staff Recruitment audit could be brought forward. The Chief

Internal Auditor responded that the Transformation audit would be put into the timetable for the early Quarter 1 or 2 for 2023/24 and this would be confirmed once a risk assessment had been done. In relation to the Recruitment Audit, she responded that this was planned for Quarter 3 and noted the Member's concerns;

- (ii) Another Member commented that she had concerns in relation to the delivery of SEND (Special Educational Needs and Disability) and requested if internal audit could look into this provision. The Chief Internal Auditor responded that SEND was not in the internal audit plan for this year. It was agreed that the Chief Internal Auditor would discuss this matter further with the Executive Director of Children's Services.

**RESOLVED:**

- (i) The Audit and Governance Committee:
  - (a) Noted the progress report;
  - (b) Approved the addition to the Internal Audit Plan of follow up audits on Temporary Accommodation and Asset Management;
  - (c) Approved the postponement of audits on Development Management and Transformation until 2023/24.

(During the above debate, Councillor Anne Lee left the meeting at 4:10 pm to attend another meeting and therefore did not take part in the voting).

**80 Exempt Items**

None notified.

**81 Close of Meeting**

The Committee thanked Neil Young (Ernst & Young – External Audit) for his work in relation to the predecessor accounts for the demised Councils and wished him well for the future.

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Chair

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Date

The meeting closed at 4.15 pm