

Audit and Governance Committee Annual Report 2022



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Chairman's Statement

Cllr Andrew Weatherill,
Chair of Audit and Governance
Committee



I am pleased to present the Audit and Governance Committee Annual Report for 2022, which covers the 18-month period from the start of North Northamptonshire Council (NNC) on 1 April 2021 to 30 September 2022.

Committee Terms of Reference

The Terms of Reference of the Committee are wide ranging and are set out in the North Northamptonshire Council Constitution. The principal areas of focus of the Committee include:

- Audit Activity – including approving the Internal Audit Charter & Strategy and annual plan. Considering summary Internal Audit Reports and the Annual Report of the Head of Internal Audit and reviewing Internal Audit's effectiveness. Considering External Audit's letters and reports;
- Regulatory Framework – including overseeing the production of the Council's Annual Governance Statement and recommending its adoption and monitoring the development and operation of risk management and corporate governance throughout the Council;
- Accounts – reviewing the annual statement of accounts, considering whether accounting policies have been followed and considering the External Auditor's report to those charged with governance;
- Risk Management – including considering the effectiveness of the Council's risk management arrangements and reviewing the Council's Strategic Risk Register;
- Performance – the Committee carrying out a self-assessment to evaluate its performance and determining any action required to improve its effectiveness.

Challenges in the Period

Typically, in working to its Terms of Reference, the work of the Audit and Governance Committee would follow a predictable pattern of activity, with key outputs required by known target dates. Planning and coordination between the Committee, Officers and the External & Internal Auditors aims to ensure that target dates are met. However, this initial

period was particularly challenging, as the Committee was presented with a peculiar set of circumstances, including the following:

- The responsibility for the clearance of six sets of accounts and the clearance of the associated external audits for the four predecessor Districts and Boroughs fell to this Committee, being the year ended 31 March 2020 for East Northants District Council and Corby Borough Council and the year ended 31 March 2021 for all four Districts and Boroughs
- Significant control weaknesses in the Financial Control Environments of two of the Districts and Boroughs were revealed by the work of Internal Audit and whilst this was encouraging that it was identified, it resulted in challenges for the Finance Team in the accounts preparation and impacted the extent of the additional work rightly undertaken by the external auditors
- Agreeing and undertaking an effective risk driven Internal Audit Programme for a new organisation which is in the process of developing and embedding its own control environment
- There was some continuity of Finance and Internal Audit staff from the Districts and Boroughs, however there many changes and new additions to teams that have had to be recruited, inducted, and embedded in the new Council

Committee Performance

The Committee has worked well in my opinion, particularly given the quantity of the significant amounts of technical financial information that have been required to be reviewed, often at short notice, to enable efficient clearance of predecessor Council accounts and audits and review of internal audit reports with key findings.

The Committee has a proficient level of skills, knowledge, and experience, which has contributed to its effectiveness. This includes experience of Senior Councillor Leadership roles, Council Scrutiny roles and members with professional backgrounds in External and Internal Audit, Risk Management and Accountancy.

Officer Support

I am pleased with the way Officers rose to the challenges in the initial period and supported the Committee. This is in Finance, Internal Audit and Democratic Services in particular, being the services which have the greatest involvement with the Committee.

What has also been encouraging is that where weaknesses have been identified from Internal Audit activity, Senior Officers and Managers have attended the Committee and taken questions about the background to the issues identified and the plans to resolve them and responded in an open and collaborative way. Any recommendations are followed up to ensure completion.

The Audit and Governance Committee

Our role

The Audit and Governance Committee is made up of ten Councillors and has positions for three Independent Persons. It acts as an advisory committee to the Council and the Executive on audit and governance issues. There are also six Substitute Councillors who can attend on behalf of Full Members, if required.

The functions that are discharged by the Committee are not Executive functions and cannot be discharged by the Executive. The purpose of the Committee is to provide independent assurance as to the Council's governance, risk management framework and associated control environment. This is important to ensure that the Council understands where things may go wrong and has controls in place to make sure that it mitigates against them. It should also provide independent scrutiny of the Council's financial and non-financial performance and oversee the Council's financial reporting process. To help maintain its independence, the Committee has the right to meet privately with the External Auditor and the Chief Internal Auditor, as considered necessary.

Members and attendance

Full Members of the Audit and Governance Committee 2021/22



Councillor
Andrew
Weatherill
(Chair)



Councillor
Kirk Harrison
(Vice Chair)



Councillor
Jean Addison
(since Nov 2021)



Councillor
Matthew Binley



Councillor
Ian Jelley



Councillor
Anne Lee
(since Nov 2021)



Councillor
Richard Levell



Councillor
Peter McEwan
(until Nov 2021)



Councillor
Zoe McGhee
(until Nov 2021)



Councillor
Mark Pengelly



Councillor
Russell Roberts



Councillor
Kevin Watt

Substitute Members



Councillor
Jean Addison
(until Nov 2021)



Councillor
Valerie Anslow



Councillor
Annabel
de Capell Brooke
(until Jan 2022)



Councillor
John Currall



Councillor
Bert Jackson



Councillor
Matt Keane



Councillor
Paul Marks



Councillor
Peter McEwan
(since Nov 2021)



Councillor
Lee Wilkes

Members and attendance

Full Members of the Audit and Governance Committee 2022/23 to date



Councillor
Andrew
Weatherill
(Chair)



Councillor
Kirk Harrison
(Vice Chair)



Councillor
Jean Addison



Councillor
Ian Jelley



Councillor
Anne Lee



Councillor
Richard Levell



Councillor
Paul Marks



Councillor
Mark Pengelly



Councillor
Elliot Prentice
(since Sept 2022)



Councillor
Russell Roberts

Substitute Members



Councillor
Valerie Anslow



Councillor
John Currall



Councillor
Bert Jackson



Councillor
Peter McEwan



Councillor
John McGhee
(since Sept 2022)



Councillor
Lee Wilkes

During the 18-month period (12 July 2021 – 5 September 2022), the Committee met nine times.

The membership of the Committee and meeting attendance during the period is detailed in Tables 1 and 2.

Table 1: Committee attendance – Full Members

Full Member	Attendance	% of meetings attended (July 2021 - Sept 2022)
Councillor Andrew Weatherill (Chair)	9 meetings out of 9	100%
Councillor Kirk Harrison (Vice Chair)	7 meetings out of 9	77.8%
Councillor Jean Addison (since November 2021)	5 meetings out of 6	83.3%
Councillor Matthew Binley	6 meetings out of 6	100%
Councillor Ian Jelley	5 meetings out of 9	55.6%
Councillor Anne Lee (since November 2021)	3 meetings out of 6	50%
Councillor Richard Levell	9 meetings out of 9	100%
Councillor Peter McEwan (until November 2021)	1 meeting out of 3	33.3%
Councillor Zoe McGhee (until November 2021)	0 meetings out of 3	0%
Councillor Mark Pengelly	6 meetings out of 9	66.7%
Councillor Elliot Prentice (since September 2022)	0 meetings out of 0	-
Councillor Russell Roberts	7 meetings out of 9	77.8%
Councillor Kevin Watt	4 meetings out of 6	66.7%

If Full Members are unable to attend, they can ask Substitute Members to attend on their behalf.

Table 2: Committee attendance – Substitute Members

Substitute Member	Attendance
Councillor Jean Addison (until November 2021)	0 meetings
Councillor Valerie Anslow	3 meetings
Councillor Annabel de Capell Brooke (until January 2022)	0 meetings
Councillor John Currall	0 meetings
Councillor Bert Jackson	3 meetings
Councillor Matt Keane	0 meetings
Councillor Paul Marks	5 meetings
Councillor Peter McEwan (since November 2021)	0 meetings
Councillor John McGhee (since June 2022)	1 meeting
Councillor Lee Wilkes	0 meetings

In support of constitutional requirements for the Audit and Governance Committee, three independent persons should be appointed to the Committee. In July 2021, the Committee

also considered the findings of the Redmond Review and noted the reference to independent members to the Committee. During 2021/22, advertising to recruit to these positions was undertaken on two separate occasions. This has now resulted in interviews taking place and one suitable candidate has been offered a position, subject to ratification by Full Council in November 2022.

Training

Members receive training prior to serving on the Audit and Governance Committee.

During the period, Committee members received additional training in a number of areas, to further strengthen their effectiveness in exercising the Committee functions. The training is summarised as follows in Table 3, and is ongoing:

Table 3: Training Topics

Date	Training Topic
27 September 2021	Statement of Accounts
31 January 2022	Statement of Accounts (Process/Primary Statements/ Management Letter of Representation
14 March 2022	Going Concern
5 May 2022	Accounting Policies
20 June 2022	Annual Governance Statement and Value for Money

Forthcoming training sessions are also scheduled for the Committee members for Cyber Security Training and Safeguarding.

Functions of the Committee

Finance

Finance reporting

During the period, the Committee received and reviewed a number of financial accounts for the legacy councils, as summarised in Table 4.

Table 4: Financial accounts received by the Audit & Governance Committee (12 July 2021 – 5 September 2022)

Date of meeting	Council	Accounts year
12 July 2021	<p>Corby - Closure of the external audit financial Statements</p> <p>Corby East Northamptonshire Kettering Wellingborough Northamptonshire County Council Status update on the scheduling of external audits for the legacy financial statements</p>	<p>2018/19</p> <p>2019/20 and 2020/21 2019/20 and 2020/21 2020/21 2020/21 2019/20 and 2020/21</p>
27 September 2021	<p>Kettering Audit Results Report</p> <p>Kettering Wellingborough Outturn and Draft Statement of Accounts</p>	<p>2020/21</p> <p>2020/21</p>
8 November 2021	<p>Wellingborough Audit Results Report</p> <p>Wellingborough Draft Statement of Accounts</p> <p>Corby Audit Plan</p> <p>Corby Draft Statement of Accounts</p>	<p>2020/21</p> <p>2020/21</p> <p>2019/20</p> <p>2019/20</p>

Date of meeting	Council	Accounts year
	East Northamptonshire Audit Plan	2019/20
	East Northamptonshire Draft Statement of Accounts	2019/20
31 January 2022	Corby Audit Results Report	2019/20
	Corby Draft Statement of Accounts	2019/20
	East Northamptonshire Audit Results Report	2019/20
	East Northamptonshire Draft Statement of Accounts	2019/20
5 May 2022	Corby Update on outstanding issues relating to Statement of Accounts	2019/20
	East Northamptonshire Update on outstanding issues relating to Statement of Accounts	2019/20
20 June 2022	Corby and East Northamptonshire Verbal update for Statement of Accounts	2019/20
1 August 2022	Corby Statement of Accounts	2019/20
5 September 2022	East Northamptonshire Audit Results Report	2020/21
	East Northamptonshire Draft Statement of Accounts	2020/21

In reviewing these accounts, the Committee considered how assurances were given that appropriate accounting policies had been followed and whether there were any concerns

arising from the financial statements, or from the external audit, that needed to be brought to the attention of the Council.

External Audit reports

During the period, the Committee received and reviewed the external auditor's reports on the legacy councils' accounts and noted their findings.

Counter Fraud

The Committee receives updates on counter fraud activity within the progress reports from Internal Audit – both pro-active and reactive work. The Council has a zero tolerance to fraud and the Committee oversees the review of key counter fraud and governance policies that support and embed this culture.

Governance and Risk

Risk management

During the period, the Committee reviewed and discussed regular reports on risk management activity, as summarised in Table 5. The Committee has encouraged the embedding of a risk management culture across the organisation and the ongoing development and maturity of the risk management framework over time.

During the year, the approach to risk management was further developed and embedded with the introduction and maintenance of directorate level risk registers – to support and inform the strategic risk management framework. In the 2022/23 year to date, the risk register format has been further developed.

Table 5: Risk reporting to Audit and Governance Committee during the period

Date of meeting	Nature of report
12 July 2021	Strategic Risk Register – first review
8 November 2021	Strategic Risk Register Update
14 March 2022	Strategic Risk Register Update
20 June 2022	Strategic Risk Register Update – with revised format welcomed by Committee, including sources of assurance, inherent and residual risk scores

Governance

At the November 2021 meeting, the Committee received and approved the Code of Corporate Governance. The framework for which was linked to guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and supported by the seven Principles for the Conduct of Individuals in Public Life. The Committee discussed key elements of the Code in detail and requested some amendments to reflect sources of assurance and the role of internal audit.

Reports have been considered by the Committee in relation to key updates on governance in local government and this included a report on the Redmond Review which was received by the Committee in July 2021. This gave rise to discussion over the key findings and implications for membership of the Committee, financial reporting and external audit regulation.

In considering the Annual Governance Statements (AGS) of the legacy councils, received in 2021/22, the Committee ensured that the report reflected any key issues which had been identified. The Committee referred, in this consideration, to the External Auditors' report for those charged with governance.

Internal and External Audit

Internal Audit

The Committee received and noted the annual internal audit reports and opinions for the legacy councils at the meeting in July 2021. At the September 2021 meeting, the Committee also received a report on the monitoring of open audit actions inherited from the legacy authorities. This provided assurance over how these actions were being followed up and the work that the internal audit team were delivering to ensure that the actions were suitably evidenced and had been applied across North Northamptonshire Council, not just the legacy council's element.

The Committee reviewed and approved the Internal Audit Charter and Strategy in July 2021 and June 2022, in line with the Public Sector Internal Audit Standards.

The Committee was actively involved in reviewing and agreeing the internal audit plan coverage for 2021/22 and 2022/23, which was considered to provide appropriate assurance and focus for the Council. Given that 2021/22 was the first year of the Council's operation, the audit coverage remained under active review throughout the year and sought to support the review of legacy issues and implementation of new ways of working.

The internal audit plans are risk based and have been updated throughout 2021/22 and in 2022/23, to date, to reflect the changing risk and assurance environment, with amendments being suitably approved.

During 2021/22, the internal audit service was provided under a shared service arrangement which ceased on 31st March 2022. The Audit and Governance Committee sought assurances during 2021/22 on the delivery of the audit plan and the resourcing available and were suitably assured that the coverage would be sufficient to inform an annual Internal Audit Opinion. At the conclusion of the 2021/22 financial year, the Committee was satisfied with the delivery of the internal audit work, both in coverage and quality, and noted the annual audit opinion and report.

The Committee seeks updates on resourcing and recruitment within the internal audit service, to ensure any risks to impact on the delivery of the internal audit plan are known and managed. Assurances and updates have been sought by the Committee, during 2022/23 to date, that the recruitment to the new audit service is progressing appropriately and the team is suitably resourced.

The Committee received an update from the Chief Internal Auditor at every meeting, which provided an overview of progress against planned assignments and summaries of the findings of finalised audit reports. The reports also include updates on implementation of recommendations arising from audit reports.

Where any audit reports have given an opinion of less than 'Satisfactory' Assurance, the findings have been discussed at the subsequent committee meeting and senior management from the service area have been in attendance. These have proven useful

discussions to explore the reason for the gaps in controls and to give the committee assurances over actions being taken.

At the meeting on 5th September 2022, the Committee welcomed representatives from the Children's Trust to present a paper on their risks and sources of assurance. The Committee had sought further assurances over the management of risks that had been delegated to the Trust and an understanding of their risk management approach, in light of the Corporate Parenting role and duties. This provided a useful session and an opportunity to engage with the Trust and the Director for Children's Services on how assurances over the risks, including those of a safeguarding nature, can be obtained for this Committee.

External Audit

At the November 2021 meeting, the Committee received a report on the future provision of external audit and endorsed to opt into the national sector-led arrangements and nominated Public Sector Audit Appointments Limited (PSAA), to appoint the external auditor on its behalf.

Following the transition to the unitary council, and delays in audits inherited from the legacy authorities, the reports received from external audit during 2021/22 were primarily in relation to the legacy district and borough councils.

The external auditors appointed to deliver the audit of North Northamptonshire Council's accounts have also been regular attendees at the committee meetings and have presented reports on their planning for the 2021/22 audit.

The Committee's Effectiveness

Assessment

In November 2022 the Committee completed a self-assessment survey, where our performance was reviewed against a CIPFA best practice framework and provided an opportunity to reflect upon the Committee's terms of reference and evaluation of its performance.

The self-assessment was completed by four members of the Committee and the results are summarised as follows:

Good practice questions		Yes	Partly	No
Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?	4		
2	Does the audit committee report directly to full council? (applicable to local government only)	4		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	4		
4	Is the role and purpose of the audit committee understood and accepted across the authority?	2	2	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	2	2	
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	1	1	1
Functions of the committee				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	• good governance	4		
	• assurance framework, including partnerships and collaboration arrangements	4		
	• internal audit	4		
	• external audit	4		
	• financial reporting	4		
	• risk management	4		
	• value for money or best value	4		

Good practice questions		Yes	Partly	No
	<ul style="list-style-type: none"> counter fraud and corruption 	4		
	<ul style="list-style-type: none"> supporting the ethical framework 	3	1	
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	3	1	
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	1	1	1
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	2	1	1
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	4		

Membership and support

12	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> separation from the executive an appropriate mix of knowledge and skills among the membership a size of committee that is not unwieldy consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement) 	3	1	
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	2	1	1
14	Does the chair of the committee have appropriate knowledge and skills?	3	1	
15	Are arrangements in place to support the committee with briefings and training?	4		
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	2	1	
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	4		
18	Is adequate secretariat and administrative support to the committee provided?	4		

Good practice questions		Yes	Partly	No
Effectiveness of the committee				
	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	1		2
20	Are meetings effective with a good level of discussion and engagement from all the members?	3	1	
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	3		1
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	2	1	1
23	Has the committee evaluated whether and how it is adding value to the organisation?	2	1	1
24	Does the committee have an action plan to improve any areas of weakness?	2	2	
25	Does the committee publish an annual report to account for its performance and explain its work?	3	1	

As such, our self-assessment provided a good level of assurance over the delivery of the Committee's core role and functions. It also identified some actions for us, namely, to seek and review feedback on the Committee's performance as part of ongoing evaluations of effectiveness and to ensure ongoing training for the Committee on relevant risks and themes. The recent appointment of an independent member of the Committee also supports compliance with the guidance.

The Chair and Vice Chair of the Committee will be reflecting on this further to inform an action plan which can be monitored on an ongoing basis and reviewed as part of the next effectiveness assessment.

Audit and Governance Committee

Terms of Reference – Appendix A

- To approve the Council's Internal Audit Charter setting out the Internal Audit Strategy and Terms of Reference.
- To approve, but not direct, Internal Audit's annual plan of work and monitor unscheduled work that could potentially divert audit resources away from a plan, and monitor performance against those plans, ensuring that there is no inappropriate scope or resource limitations.
- To consider the Annual Report and opinion of the Head of Audit and a summary of internal audit activity and the level of assurance it can give over the Council's corporate governance arrangements
- To consider summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
- To consider reports dealing with the management and performance of the Internal Audit function.
- To consider reports from Internal Audit on agreed recommendations not implemented within reasonable timescales.
- To consider the External Auditor's Annual Inspection Letter, relevant reports and the reports of those charged with governance.
- To consider specific reports as agreed with the External Auditor to ensure agreed action is taken within reasonable timescales.
- To comment on the scope and depth of the external audit work and to ensure it gives value for money.
- To liaise with the Public Sector Audit Appointments Ltd over the appointment of the Council's external auditor.
- To consider the reports of inspection agencies relevant to the Council.
- To suggest work for Internal and External Audit.
- To undertake an annual review of the effectiveness of the system of Internal Audit.

Regulatory Framework

- To review any issue referred to it by the Chief Executive or Corporate Director or any Committee of the Council.
- To monitor the effective development and operation of risk management and corporate governance throughout the Council.
- To monitor council policies on “raising concerns at work” and anti-fraud and anti-corruption policies including the Council’s complaints process.
- To oversee the production of the Council’s Statement of Internal Control/Governance Statement and recommend its adoption.
- To consider the arrangements for corporate governance and to agree necessary actions to ensure compliance with best practice.
- To consider the Council’s compliance with its own and published standards and controls.

Accounts

- To review the annual statement of accounts.
- Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the External Auditor’s report to those charged with the governance, issues arising from the audit of the accounts.

Risk Management

- To consider the effectiveness of the Council’s risk management arrangements.
- To review regular reports from the Corporate Risk Management to gain assurance that the Council is monitoring and managing its risks effectively.
- To be satisfied that the Council’s assurance statements, including the Annual Governance Statement properly reflect the risk environment and any actions required to improve it.
- To review and approve the Council’s Strategic Risk Register annually.
- To report to the Executive any matter where the Committee feels that there is significant new risk that is not mitigated.

Performance

- The Audit and Governance Committee will carry out an annual self-assessment, including a review of these terms of reference, to evaluate its own performance and determine any action required to improve its effectiveness. The outcomes will be reported to Full Council.