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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) (NICF) 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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