

Minutes of a meeting of the Audit and Governance Committee

At 2.00 pm on Monday 14th August, 2023 in the
Council Chamber, The Cube, George St, Corby NN17 1QG

Present:-

Members

Councillor Andrew Weatherill (Chair)	Councillor Jonathan Ekins
Councillor Ian Jelley	Councillor Russell Roberts
Councillor Anne Lee	Councillor Valerie Anslow
Councillor Richard Levell	
Michael Whitworth (Independent Person)	

Officers

Janice Gotts	Executive Director of Finance and Performance
Adele Wylie	Executive Director of Customer & Governance
Dean Mitchell	Chief Accountant
Rachel Ashley-Caunt	Chief Internal Auditor
Ciaran McLaughlin	Grant Thornton – External Audit
Paul Harvey	Grant Thornton – External Audit
Rob Harbour	Assistant Director of Growth & Regeneration
Marie Devlin-Hogg	Assistant Director Human Resources
Jeandre Hunter	Head of Procurement
Callum Galluzzo	Democratic Services

Councillor Lloyd Bunday, Portfolio Holder for Finance and Transformation also attended the meeting

118 **Apologies for non-attendance**

None

119 **Members' Declarations of Interests**

The chair asked members to declare any interests on items present on the agenda.

No declarations were registered.

120 **Minutes of the meeting held on 12th June 2023**

RESOLVED

That the minutes of the meeting of the Audit and Governance Committee held on 12th June 2023 be approved as a correct record and signed by the chair.

121 Update on S106 matters

Rob Harbour, Assistant Director of Growth & Regeneration attended the meeting and presented a briefing update to committee regarding S106 matters as requested by the committee at the previous meeting.

Members heard that at the last meeting of the Audit & Governance Committee on the 12 June 2023, an Internal Audit Progress Report was received by the Committee from the Chief Internal Auditor. This included an update on s106 monitoring which reported a satisfactory level of assurance.

Members received an update regarding concerns surrounding the timeframe for three S106 obligations in Rothwell area. It was heard that the Developer Contributions Team were in a dialogue with the Rothwell Allotments Association, who had put forward a number of potential uses for this contribution. This matter was therefore progressing to ensure the funds are transferred and used in full before the January 2024 expiry. Regarding the Well Lane Recreation Ground it was heard that this project was proceeding through NNC's governance arrangements. It had been taken to both the Place & Economy Directorate Capital Board and Strategic Capital Board. It was noted by committee that a final decision was to be made by Executive on the 17th August. The Grounds Maintenance Service plan was to use this funding for the creation of drainage systems on the football pitch at Well Lane in line with the s106 agreement. Assuming that the money is released in August then the Grounds Maintenance Service are confident that this project will be completed before January 2024. Finally regarding Manor Park it was heard that Rothwell Town Council had been requested to liaise with the Developer Contributions Team to agree a firm set of proposals as to how they envisage the funds could have been used instead.

Members of the committee then heard that the audit report was correct in that significant progress had been made with cleansing, updating and reconciling the s106 information inherited from the former North Northamptonshire authorities and compiling this onto a spreadsheet where appropriate to do so. Some data was also held within proprietary planning back office systems and therefore sits separately to the spreadsheet. As such, the work to consolidate all s106 data was not yet fully complete and was linked to the procurement of a single IT system for the Planning Service (including developer contributions), which will ultimately provide the single s106 database that was being worked towards as the long term solution. The Chair acknowledged the progress made in the data cleansing, however there would remain inherent risks with the data held in spreadsheet format and requested an update on the progress of migration to the database system in quarter 1 2024.

Following member enquiries, it was confirmed S106 obligations were negotiated to comply with the relevant legislative requirements. At the current time these were encompassed within the Town & Country Planning Act, the Planning Act and the Community Infrastructure Levy Regulations.

Legislation enabled modification or discharge of an obligation to be achieved either by an agreement with the local planning authority (which must be executed as a deed), or by an application to the local planning authority.

This means that a developer can seek to vary an obligation by making an application to the local planning authority which must then be determined, or that the local planning authority can seek to vary an obligation but this must be agreed with the developer and executed as a deed of variation. A local planning authority cannot unilaterally vary a s106 agreement.

Following debate it was:

RESOLVED: That the briefing note presented to committee be noted.

122 Audit Update - Corby

A verbal update on the external audit of legacy council accounts was provided to the committee by the Director of Finance and Performance on behalf of Ernst & Young – external auditors.

It was noted by the committee that it was anticipated that the Corby year end 31 March 2021 accounts would have been signed off by 31st July 2023 as previously advised at the last meeting of the Audit and Governance Committee. It was noted that this was not the case as there had been further queries raised, including around asset valuation, which had meant that additional audit work was required on the accounts.

It was confirmed to members of the committee that the additional audit work had now been completed and reviewed by the lead auditor. There has been no material adjustments to the general fund or to the HRA Reserves. Final sign off by Ernst & Young was still yet to be achieved and indication was given that an unqualified audit opinion for Corby had been given and that it was expected that these accounts would be signed off by 30th September 2023.

Members noted that the timeline had been extended to the end of September due to a requirement for senior partner sign off due to the audit risks associated with the Corby accounts.

It was noted by members that dependent on the external auditor signing the accounts off prior to the next meeting of the Audit and Governance Committee on Monday 25th September 2023, then the accounts would be brought before the committee on this date. It was also noted that any immaterial adjustments required to the draft Statement of Accounts in relation to Corby Borough Council would be delegated to the Chair of Audit & Governance, in consultation with the Councils Executive Director of Finance & Performance.

Following debate it was:

RESOLVED that:-

- a) Subject to external audit sign off, any immaterial adjustments required to the draft Statement of Accounts in relation to Corby Borough Council be delegated to the Chair of Audit & Governance, in consultation with the Councils Executive Director of Finance & Performance. Should external audit sign off be concluded prior to the next meeting of the Audit and Governance Committee on 25th September 2023, the Statement of Accounts would be brought before the committee.

123 Auditors Annual Report 2021/22

Members received a report which presented the Auditors Annual Report 2021/22 for North Northamptonshire Council which has been produced by the Council's external auditors, Grant Thornton.

It was noted that Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), the Council's external auditors were required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. As part of its work, the external auditors considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Members noted that the current report was in a draft format subject to amendments and focussed on three main criteria:

- Financial Sustainability
- Governance
- Improving economy, efficiency and effectiveness

Members of the committee heard that for all three areas the external auditor had judged that there was no significant weaknesses in arrangements identified but recommendations for improvement had been made. It was stated that the overall position was a positive one and that North Northamptonshire Council were in the process of making the necessary arrangements to address and implement the recommendations as set out in the auditors report.

Following debate it was:

RESOLVED: That the Audit and Governance Committee noted the report.

124 Internal Audit Progress Report

Members received a report from the Head of Internal Audit which sought to provide members of the committee with a progress update on the work of the Internal Audit team and the key findings from audits completed to date. The Internal Audit plan of work was subject to ongoing review and prioritisation to ensure it continues to focus on the Council's key risks. It was noted that since the last meeting of this Committee, six audit reports had been finalised and the key findings had been summarised as part of the officer's report.

Members heard that during the 2023/24 financial year to date, 23% of the planned audits had been delivered to at least draft report stages and a further 28% were in fieldwork stages. This reflected that delivery was on track for this stage in the year.

It was heard that one key finding that has arisen as part of the ongoing internal audit progress was regarding Agency workers and consultants. It was noted that for the financial year 2022/23, approximately £17.7 million of payments were made in respect of agency related costs with approximately £6.7 million of that figure spent with suppliers other than the Council's main contracted supplier, OPUS.

The review undertaken by internal audit highlighted the following areas that need to be strengthened:

- A review of current arrangements found that no checks were currently undertaken to ensure appropriate authorisation had been obtained for new appointments to be actioned by OPUS, and that there was inconsistency in Council guidance around the process to be followed when requesting a waiver / exception to appoint agency staff outside OPUS, specifically around whether evidence had to be provided by OPUS to confirm they cannot deliver the requirement.
- The Agency Worker Policy required that if a suitable agency worker cannot be sourced through OPUS, Council officers were required to obtain an approved waiver / exception prior to appointing an agency worker via an alternative supplier. Testing on agency spend with suppliers other than OPUS found an approved waiver / exception had only been provided covering approximately £800k of the £6.7 million spend in the 2022/23 financial year.
- The Consultants Policy stated that each directorate was responsible for maintaining a record of all consultant placements within their area. Limited records of consultant activity were in place at the time of audit. and as a result, compliance testing could not be undertaken by Internal Audit on key aspects of consultant activities including IR35 compliance and pre-employment checks.

The Director Executive Director of Customer & Governance (Monitoring Officer) reported that she was a Director of OPUS and addressed the committee and provided a brief background to shared service venture company OPUS and how the resource is implemented and utilised within local government. It was also stated that a majority of recommendations as set out by Internal Audit had been implemented through updated policies and procedures. Training for managers was set to be rolled out in September 2023 to support the recommendations. It was noted by members of the committee that additional audit work would follow incorporating members concerns regarding IR35 and would be presented to committee at a future meeting of the Audit & Governance Committee. Members concerns were acknowledged in relation to the amount of spend outside of the OPUS framework.

Updates on additional internal audit were also provided to the committee in relation to Customer Relationship Management (CRM) system, Homelessness & temporary accommodation, main accounting system – 2022/23-year end, local taxation and housing benefits. It was noted that there were good to moderate levels of assurance throughout and that no significant weaknesses were present. Recommendations were made across the internal audit work and a number of recommendations and actions had already been implemented.

Members raised concerns in relations to the restrictions of scope on audit work due to restrictions by external partners (West Northamptonshire Council) and that only one audit had been received for pensions. Concerns were also raised in relation to the absence of audit reports provided by the Childrens' Trust. It was confirmed to members that representatives of the Childrens' Trust would be present at the next meeting of the Audit & Governance Committee.

Following debate it was:

RESOLVED: That the Audit and Governance Committee noted the report.

125 Strategic Risk Register Update

Members of the committee received a report which sought to provide members with the quarterly update on the Council's Strategic Risk Register entries.

It was noted that the Council's Risk Management Strategy defined the Council's risk management approach and the practices required to make it work. Quarterly updates on the Strategic Risk Register were provided for the Audit & Governance Committee. An updated register was provided for the Committee's consideration. The content had been reviewed by the Corporate Leadership Team, informed and supported by regular review of all directorate level risk registers.

It was noted by members that there had been two amendments to the Strategic Risk Register since it was last brought before committee. Members heard that both amendments related to budgetary issues.

The first amendment was in relation to Risk 07 Unsustainable finances (medium term from 2024/25) where the Inherent score had increased from 16 to 20 due to increased impact (raised from 4 to 5). This reflected that whilst the budget for 2023/24 was balanced, the position for 2024/25 onwards continues to be uncertain due to the prevailing economic climate particularly inflationary factors for pay and prices, as well as demand pressures, such as children's services and adult social care. The residual risk remained at 12 (3 for likelihood and 4 for impact) as the Council sought to update the medium financial plan in advance of the new financial year.

The second amendment was in relation to the Inability to remain within budget for the current year (2023/24) where the residual score increased from 15 to 20 due to increased impact score (raised from 3 to 4). This amendment recognised the inflationary increases being higher than the Office for Budget Responsibility (OBR) forecast at the time the budget was set in addition to cost-of-living challenges. The requirements from demand led services such as children's social care were concerning and already outstripping the budget as at P2 reporting. Other areas such as Home to School Transport and Adult Social Care also remained a risk in this regard.

Members raised questions regarding progress in relation to Children's Trust concerns previously raised and what work can be done to alleviate some of these concerns. It was heard that there was a number of groups established under the governance arrangements such as the operational commissioning group and the strategic commissioning group. It was noted that North Northamptonshire Council had raised an official rectification notice with the Children's Trust in relation to the finances and governance arrangements and that this was currently with the Children's Trust to respond to.

Members also raised further questions and concerns regarding the strategic risk register entry for inadequate organisational capacity.

Following debate it was:

RESOLVED: That the Audit and Governance Committee noted the report.

126 Close of Meeting

The meeting closed at 4.08 pm

Chair

Date