

Audit and Governance Committee Annual Report 2023



**North
Northamptonshire
Council**

Contents

Content	Page
Chairman’s Statement	3
The Audit and Governance Committee	4
Functions of the Committee	
Financial reporting	8
Governance, Risk Management and Internal Control	10
Internal and external audit	12
The Committee’s effectiveness	13

Chairman's Statement



I am pleased to present this year's Annual Report of the Audit and Governance Committee. The Committee is accountable to full Council and welcomes scrutiny of its effectiveness in fulfilling its terms of reference and its impact on the improvement of governance, risk and control within the authority.

This report covers the work of the Audit and Governance Committee during the period October 2022 – September 2023.

The Audit and Governance Committee plays a key role in providing the Council with assurance in respect of the adequacy and effectiveness of the Council's systems of risk management, financial and internal controls and governance. As usual, the Committee obtained its own assurance from multiple sources with the main source being provided through the reports of our internal and external auditors.

In addition to a summary of work undertaken, the report includes details of committee membership, officer support to the committee and how the committee has engaged with others. In particular, I would like to draw attention to Committee's engagement in areas receiving less than Moderate Assurance in Internal Audit reviews. In all cases where such weaknesses have been reported to the Committee, senior management for the service area have attended the Committee meeting and provided detailed assurances over actions being taken. The Committee has been supportive of officers in this work and it has been pleasing to see the improved findings reported in follow up audits, demonstrating the strengthening of controls in these key risk areas, and the value of the audit process.

I would also like to recognise the significant work completed during this period to conclude the external audit of the last of the legacy council accounts. The Committee has considered a number of reports during the year in relation to these accounts and commended officers on the achievement of an unqualified audit opinion in September 2023.

The Committee continues to reflect upon its own effectiveness, and I am pleased that we have agreed actions to further improve upon our performance to date. These are reflected further within this report.

Cllr Andrew Weatherill

The Audit and Governance Committee

Our role

The Audit and Governance Committee operates in accordance with the CIPFA Position Statement 2022: Audit Committees in Local Government. This position statement sets out the role of an Audit Committee as follows:

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

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.

The functions that are discharged by the Committee are not Executive functions and cannot be discharged by the Executive. The full role and responsibilities of the Committee are set out in written terms of reference which are published on the Council's website: [04. Part 4 - Audit and Governance Committee.pdf \(modern.gov.co.uk\)](#)

The Committee's responsibilities include, but are not limited to, the following, with a view to bringing any relevant issues to the attention of the Council:

- Oversight of the integrity of the Council's financial statements;
- Oversight of governance, risk management and internal control arrangements;
- Oversight of the external auditors' performance, objectivity, and independence; and
- Oversight of the performance of the internal audit function.

Membership and attendance

Full Members of the Audit and Governance Committee



Councillor
Andrew
Weatherill
(Chair)



Councillor
Jonathan Ekins
(Vice Chair)
(Since May 2023)



Councillor Jean
Addison
(Until May 2023)



Councillor
Valerie Anslow
(Since May 2023)



Councillor Kirk
Harrison



Councillor Bert
Jackson
(Since May 2023)



Councillor Ian
Jelley



Councillor Anne
Lee



Councillor
Richard Levell



Councillor Paul
Marks



Councillor
Russell Roberts



Councillor Mark
Pengelly
(Until May 2023)



Councillor
Elliott Prentice
(Until May 2023)

Substitute Members



Councillor Jean
Addison
(Since May 2023)



Councillor
Valerie Anslow
(Until May 2023)



Councillor Paul
Bell
(Since May 2023)



Councillor
Melanie
Coleman
(Since May 2023)



Councillor John
Currall



Councillor Bert
Jackson
(Until May 2023)



Councillor
Peter McEwan
(Until May 2023)



Councillor John
McGhee
(Until May 2023)



Councillor Tom
Partridge-
Underwood
(Until May 2023)



Councillor
Mark Pengelly
(Since May 2023)



Councillor
Roger Powell
(Until May 2023)



Councillor Chris
Smith-Haynes
(Since May 2023)



Councillor Lee
Wilkes

During the period of 1st October 2022 – 30th September 2023, the Committee met six times.

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

Table 1: Committee attendance – Full Members

Full Member	Attendance	% of meetings attended
Councillor Andrew Weatherill (Chair)	6 meetings out of 6	100%
Councillor Jonathan Ekins (Vice Chair) (From May 2023)	3 meetings out of 3	100%
Councillor Kirk Harrison	3 meetings out of 6	50%
Councillor Jean Addison (Until May 2023)	3 meetings out of 3	100%
Councillor Valerie Anslow (From May 2023)	3 meetings out of 3	100%
Councillor Bert Jackson (From May 2023)	3 meetings out of 3	100%
Councillor Ian Jelley	5 meetings out of 6	83%
Councillor Anne Lee	6 meeting out of 6	100%
Councillor Richard Levell	6 meetings out of 6	100%
Councillor Paul Marks	5 meetings out of 6	83%
Councillor Mark Pengelly (Until May 2023)	2 meetings out of 3	67%
Councillor Elliott Prentice (Until May 2023)	2 meetings out of 3	67%
Councillor Russell Roberts	5 meetings out of 6	83%

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 (From May 2023)	0 meetings
Councillor Valerie Anslow (Until May 2023)	1 meeting
Councillor Paul Bell (From May 2023)	0 meetings
Councillor John Currall	0 meetings
Councillor Melanie Coleman (From May 2023)	0 meetings
Councillor Bert Jackson (Until May 2023)	0 meetings
Councillor Peter McEwan (Until May 2023)	0 meetings
Councillor John McGhee (Until May 2023)	0 meetings
Councillor Mark Pengelly (From May 2023)	0 meetings
Councillor Roger Powell (Until May 2023)	0 meetings
Councillor Chris Smith-Haynes (From May 2023)	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. There is currently one independent person on the Audit and Governance Committee, who has attended all six of the meetings held during this period.

Other regular attendees at Committee meetings are the Executive Director of Finance and Performance (s151 Officer), Chief Internal Auditor, Assistant Director of Finance and Accountancy and external auditors.

Training

Members receive induction training prior to serving on the Audit and Governance Committee. This is based on the CIPFA Position Statement 2022 and the Committee's terms of reference.

During the last year, Committee members received additional training in a number of areas, to further strengthen their effectiveness in exercising the Committee functions. This has included some targeted training, from professional experts, on key risks that the Council faces, to ensure the Committee is suitably informed in providing assurance over internal control and risk management for the Council.

The training is summarised as follows in Table 3, and is ongoing:

Table 3: Training Topics

Date	Training topic
28 th November 2022	Statement of Accounts
20 th February 2023	Cyber security
24 th April 2023	Adult Safeguarding
12 th June 2023	Adult Safeguarding
14 th August 2023	CIPFA guidance (2022) for Audit Committees

Functions of the Committee

Financial reporting

Financial accounts

During the period, the Committee received and reviewed a number of reports relating to accounts for the legacy Corby Borough Council, as summarised in Table 4.

Table 4: Financial accounts received by the Audit & Governance Committee

Date of meeting	Council	Accounts year
28 th November 2022	Corby Borough Council Draft accounts	2020/21
20 th February 2023	Corby Borough Council External Audit Plan	2020/21
12 th June 2023	Corby Borough Council Audit Results Report Draft Statement of Accounts	2020/21
25 th September 2023	Corby Borough Council Audit Results Report 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. In carrying out these reviews, the Committee discussed the report from the external auditors identifying the accounting and judgemental issues that arose in the course of the audit.

The Committee commended officers for their work on the accounts and for achieving an unqualified external audit opinion at the meeting in September 2023, recognising the challenges faced during this process.

External Audit reports

During the period, the Committee received and reviewed reports from both the external auditors for the legacy councils, EY, and the Council's own external auditor, Grant Thornton. The reports relating to the legacy council accounts have been included in Table 4. The coverage relating to the work of Grant Thornton is summarised in Table 5.

Table 5: NNC external audit reporting

Date of meeting	Agenda item	Discussion
28 th November 2022	Verbal update received from Grant Thornton	<p>The external auditor reported that they had been working on the IT audit and hoped to reach a conclusion to bring to the Committee on 20th February 2023. Work had also been carried out on Value for Money (VFM). A draft version of this report would be shared with officers for comment.</p> <p>The Committee also requested an update on the recent report from the Financial Reporting Council (FRC) in relation to Major Local Audits and Audit Quality Inspection, and other audit quality reports.</p>
20 th February 2023	Verbal update received from Grant Thornton	<p>Confided that an interim annual value for money audit report had been shared with management for comments.</p>
14 th August 2023	Annual report 2021/22 from Grant Thornton	<p>Members of the committee heard that for all three areas the external auditor had judged that there were no significant weaknesses in arrangements identified but recommendations for improvement had been made.</p> <p>It was stated that the overall position was a positive one and that North Northamptonshire Council was in the process of making the necessary arrangements to address and implement the recommendations as set out in the auditor's report.</p>

Governance, Risk Management and Internal Control

Risk management

During the year, the Committee reviewed and discussed regular reports on risk management activity, as summarised in Table 6. 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.

The Committee has sought assurances over the management of key risks and this has included seeking clarification on assurances available for the management of risks in Children’s Services (delivered by Northamptonshire Children’s Trust).

Table 6: Risk reporting to Audit and Governance Committee

Date of meeting	Nature of report	Discussion
28 th November 2022	Strategic Risk Register update	<p>The Committee welcomed the introduction of a heat map diagram in the reporting.</p> <p>Several members commented on the risk relating to the Children’s Trust and asked that risk owners review this entry. Following discussion, representatives from the Children’s Trust were invited to attend the subsequent meeting in February 2023.</p>
24 th April 2023	Strategic Risk Register update	<p>The Committee requested clarification on the sources of assurance for Risk 1 – relating to the Children’s Trust. Following discussion, representatives from the Children’s Trust were invited to attend the subsequent meeting in June 2023.</p> <p>It was agreed that the Committee’s concerns regarding the budget should be noted.</p>
14 th August 2023	Strategic Risk Register update	<p>Members raised questions regarding progress in relation to Children’s Trust concerns previously raised and also raised further questions and concerns regarding the strategic risk register entry for inadequate organisational capacity.</p> <p>Following discussion, representatives from the Children’s Trust were invited to attend the subsequent meeting in September 2023.</p>

Internal controls and counter fraud

The Committee is responsible for monitoring the effectiveness of the Council's system of control which facilitates the effective exercise of the Council's functions and management of risk.

The Committee has considered the effectiveness of the Council's control environment, including preventative and detective counter fraud controls, through its review of internal audit reports. Key findings from each internal audit assignment are provided for the Committee's consideration. Where any assurance opinions of less than 'moderate assurance' have been given, members of the Committee have received full copies of the audit report and have discussed the findings with senior management at the subsequent meeting.

Members of the Committee have sought assurance that action is being taken where auditors have highlighted weaknesses. Internal audit has provided updates on implementation of agreed actions at every meeting of the Committee and share full details of any actions which are 'high priority' and over three months overdue. Such actions have been focused on by the committee and assurances sought from management on actions being taken.

Assurances over controls exercised by partners, such as the Children's Trust, have been sought by the Committee. Reports received from the Trust in February 2023, June 2023 and September 2023 provided details on the governance arrangements and risk management approach in place for the Trust. A key source of assurance over internal controls is considered to be the internal audit reporting for the Trust and the Committee has raised significant concerns during this year regarding the robustness of the 2022/23 internal audit opinion for the Trust, and the level of internal audit coverage. This has been raised by the Committee and formally noted in the Council's consideration of the Trust's Annual Report for 2022/23.

The Council has a zero tolerance to fraud. The Committee receives updates on counter fraud activity within reports from Internal Audit – both pro-active and reactive work.

Governance

The Committee has recognised that the last year has been focused on conclusion of the remaining legacy financial accounts and key audit coverage. The forward plan is to be reviewed to seek greater coverage on governance related items going forward – such as regular review of the Code of Corporate Governance and insight into ethical governance arrangements. In the next year, the Committee will receive and review the Annual Governance Statement for 2021/22.

Internal and External Audit

Internal Audit

The Committee reviewed and approved the Internal Audit Charter and Strategy in April 2023. This is subject to annual review, in line with the Public Sector Internal Audit Standards.

The Committee was actively involved and consulted as part of the development of the Internal Audit plan for 2023/24. The Committee agreed the internal audit plan coverage for 2023/24, which was considered to provide appropriate assurance and focus for the Council. A workshop session attended by Committee Members provided an opportunity for detailed consultation and input on the development of the plan.

The Internal Audit Plan is risk based and is updated throughout the year to reflect the changing risk and assurance environment, with amendments being suitably approved by the Committee.

The Audit and Governance Committee sought assurances during the year on the delivery of the audit plan and the resourcing available and has been suitably assured that the coverage would be sufficient to inform an annual Internal Audit Opinion. At the conclusion of the 2022/23 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 has commended the quality of the internal audit reporting and the assurances that this provides to Members.

Throughout this period, 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.

External Audit

The Committee had, in a prior year, opted into the national sector-led arrangements and nominated Public Sector Audit Appointments Limited (PSAA), to appoint the external auditor on its behalf.

The external auditors appointed to deliver the audit of North Northamptonshire Council's accounts have been regular attendees at the committee meetings and have presented reports on their planning for the 2021/22 audit, as detailed in Table 5.

The Committee's effectiveness

In July 2023, three Members of the Committee led on the completion of a self-assessment against the 2022 CIPFA guidance on the role of the Audit Committee. The template self-assessment tool was utilised, provided as Appendix E to the CIPFA guidance. The outcomes of this assessment were shared with the wider Committee and further discussed at a training session on 14th August 2023.

Members welcomed this opportunity to further develop the Committee's effectiveness and reflected on the value of this exercise - with the intention to re-perform this assessment at least annually.

The Committee reflected on a number of areas where performance against the standards was particularly strong, including:

- Good level of engagement by committee Members at all meetings;
- Chairing is very effective and ensures a clear focus on key issues;
- Apolitical nature of the meetings;
- Management appears to acknowledge and respect the committee's role and take on board the feedback from the committee.
- Relationships with Chief Finance Officer and Internal Audit are strong; and
- Range of attendees at Committee meetings over the last year, including Children's Trust representatives.

The assessment has also resulted in an action plan which has been agreed by the Committee and will be subject to monitoring. The actions are detailed in Table 7.

Table 7: Self-assessment action plan

No	Description	Timeframe
1	Terms of Reference for Committee To ensure these are reviewed and refreshed to align with CIPFA Position Statement 2022.	Expected for November 2023 committee meeting
2	Private meetings with auditors To schedule private meetings with Internal and External Auditors.	Internal Audit – February 2024 External Audit – April 2024
3	Committee training / skills assessment To conduct a committee effectiveness assessment, using Appendix F of CIPFA guidance, including an assessment of committee skillsets. This should then inform a training plan for the committee for 2023/24 onwards.	Q1 2024/25
4	Independent members To advertise for further independent members, with relevant skillsets (following committee skills assessment).	Q4 2023/24
5	Feedback To explore options for obtaining feedback from the committee's key stakeholders i.e. Executive, External Auditors.	Q4 2023/24