

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

held at 2:00 pm on Monday 12th July 2021 in the Council Chamber,  
Cedar Drive, Thrapston.

### **Members in Attendance:**

Councillor Andrew Weatherill (Chair)  
Councillor Matt Binley  
Councillor Richard Levell  
Councillor Peter McEwan  
Councillor Mark Pengelly

Councillor Kirk Harrison (Vice-Chair)  
Councillor Russell Roberts  
Councillor Kevin Watt  
Councillor Paul Marks (Substitute)

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

### **Observing Members:**

Councillor Bert Jackson (Substitute Member) and Councillor Jim Hakewill.

### **Officers in Attendance:**

Janice Gotts (Executive Director of Finance (S151 Officer)), Mark Dickenson (Assistant Director of Finance and Strategy), Duncan Wilkinson (Chief Internal Auditor), Janet Dawson (Ernst & Young – External Audit), Fiona Hubbard (Senior Democratic Services Officer) and Raj Sohal (Democracy Officer).

## **1 Apologies for absence**

An apology was received from Councillor Ian Jelley.

## **2 Declarations of Interests**

Members were requested to declare whether they had any personal or pecuniary interest in any item to be considered by the meeting.

<b>Councillor</b>	<b>Nature of Interest</b>	<b>DPI</b>	<b>Other Interest</b>
Matt Binley	His partner is employed by West Northamptonshire Council		Yes

## **3 Notification of requests to address the meeting**

There were no requests to address the Committee.

## **4 Terms of reference for the Audit and Governance Committee**

The circulated report of the Chief Internal Auditor was received. Appended to the report was the Terms of Reference for the Audit and Governance Committee.

The Chief Internal Auditor presented the report which outlined the Terms of Reference for the committee to note its duties and responsibilities within the Terms of Reference under the approved Council Constitution.

A Councillor referenced the Terms of Reference in relation to committee dates and moving the September meeting later into that month to allow for the current timelines for auditing the predecessor financial accounts.

Members confirmed they noted the change of date from 13 September 2021 to 27 September 2021.

The recommendation contained in the report was duly **MOVED** by Councillor Pengelley and **SECONDED** by Councillor Russell Roberts. On being put to the vote this was carried.

**RESOLVED** that:-

(i) the Terms of Reference for the Audit and Governance Committee be noted.

## **5 Predecessor 2020-2021 Internal Audit Annual Opinions**

This item was moved to the end of the agenda as one of the documents contained therein was exempt. This was not known when the agenda was published.

## **6 Internal Audit Charter and Strategy**

The circulated report of the Chief Internal Auditor was received. Appended to the report was the Internal Audit Charter and Strategy.

The Chief Internal Auditor presented the report which provided a copy of the Internal Audit Charter and Strategy for approval by the Audit and Governance Committee, in line with the committee's role and responsibility for overseeing delivery of the Internal Audit Service.

The Public Sector Internal Audit Standards (PSIAS), define the Internal Audit charter as 'a formal document that defines the internal audit activity's purpose, authority and responsibility. The Internal Audit charter establishes the Internal Audit activity's position within the organisation, including the nature of the chief audit executive's functional monitoring relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities'.

Under PSIAS, the Charter should be reviewed and approved by the Council's 'Board' on an annual basis. This duty is exercised by the Council's Audit and Governance Committee.

Members were asked to accord with the Public Sector Internal Audit Standards (PSIAS) and approve the Internal Audit team's rights to access relevant systems; records and documentation, as required, to enable unfettered access to perform an independent assurance role.

Members considered the report and appendix. The Chief Internal Auditor clarified a question raised by a member in relation to reporting contained in the Internal Audit Charter and Strategy.

The recommendation contained in the report was duly **MOVED** by Councillor Richard Levell and **SECONDED** by Councillor Matt Binley. On being put to the vote this was carried.

**RESOLVED** that:-

- (i) Approval be given to the Internal Audit Charter and Strategy.

## **7 Draft Internal Audit Plan 2021-2022 and Progress Update**

The circulated report of the Chief Internal Auditor was received in relation to the draft Internal Audit Plan covering 2021-2022. Appended to the report was the draft Internal Audit Plan 2021-2022.

The Chief Internal Auditor presented the report which provided a copy of the draft Internal Audit Plan 2021-2022 for approval by the Audit and Governance Committee. He also provided an update on the status of the work provided for the Quarter 1 assignments.

The Chief Internal Auditor highlighted that all audit plans must be flexible in accordance with best practice. More than ever before this plan is expected to see changes throughout the year. The plan submitted at this time is therefore the basis to provide a transparent change control mechanism. Changes are agreed with the Section 151 Officer and Chief Internal Auditor as considered professionally necessary and then reported to the next Audit and Governance Committee meeting providing the Committee with opportunity to review the revised plan.

The Public Sector Internal Audit Standards (PSIAS), require the annual Audit Plan to be reviewed and approved by the Council's Governance and Audit Committee (defined by PSIAS as 'the Board'). The Audit Plan should be developed based upon key risks identified through consultation with senior management and the Audit and Governance Committee and informed by the Council's risk framework.

The Plan for 2021-2022 had been split into three sections. Quarter 1 assignments which are underway to seek early assurances on key controls and policies; assignments prioritised for delivery in Quarter 2; and potential areas of coverage for Quarters 3 and 4 pending alignment with the Council's risk registers during Quarter 2. These initial plans will require ongoing review throughout the year to ensure they suitably address emerging risk areas and add the most value to the authority.

Members were asked to accord with the Public Sector Internal Audit Standards (PSIAS) and approve the programme of work to be delivered by the Internal Team in 2021-2022, subject to ongoing review and prioritisation.

Members raised several pertinent questions of clarification. These were answered by the Chief Internal Auditor and the Executive Director of Finance (S151 Officer) and related to social care; Northamptonshire Children's Trust; Section 106 monitoring; days allocated to audit coverage; and audit staff structure and resources.

One member asked how audit was going to follow through the work from previous past findings. The Chief Internal Auditor confirmed they have tried to build into the plan liaison with prior auditors; he confirmed the plan had been developed with knowledge of those issues included in annual reports.

The Chair summarised that going forward it is the committee's role to watch things closely and to obtain assurance. He considered the audit plan to be a reasonable one which broadly enables the discharge of functions.

The recommendation contained in the report was duly **MOVED** by Councillor Kirk Harrison and **SECONDED** by Councillor Kevin Watt. On being put to the vote this was carried.

**RESOLVED** that:-

- (i) Approval be given to the draft Internal Audit Plan coverage for 2021-2022.

## **8 Strategic Risk Register**

The circulated report of the Chief Internal Auditor was received. The purpose of the report was to outline a first draft North Northamptonshire Council Strategic Risk Register (SRR) collating various information contained by previous Councils. Appended to the report was the Risk Management Strategy 2021-2022.

The Chief Internal Auditor presented the report and highlighted that whilst Internal Audit had supported the development of the Register and risk processes, this was not an Internal Audit document and the risks, their assessment and review are owned by the Leadership Team. Internal Audit provide support to this process as it enables Internal Audit to better understand the risks and issues to fully inform the audit plan etc.

The Risk Management Strategy 2021-2022 appended to the report had been approved by the Shadow Executive on 25 March 2021. The committee was being asked to note and endorse the Risk Management Strategy 2021-2022; and the first draft North Northamptonshire Risk Register (SRR) collating various information maintained by previous Councils, which identified 15 strategic risks. This draft had been developed from relevant information previously maintained by the North Northamptonshire Council's predecessor Councils.

Several relevant questions were asked by members relating to organisational capacity in relation to staff; the consolidated risks of predecessor Councils (Corby Borough Council and East Northamptonshire Council); mitigation scores; and queried that no risks had been reported relating to the former Northamptonshire County Council. Clarification of questions were responded to by the Chief Internal Auditor and the Executive Director of Finance (S151 Officer), including that Northamptonshire County Council risks were listed and informed the North Northamptonshire Council Strategic Risk Register. The Executive Director of Finance (S151 Officer) also added that the Strategic Risk Register is not the only register as each Directorate has their own to ensure governance and controls are in place. These are regularly addressed by the Corporate Leadership Team.

The recommendation contained in the report was duly MOVED by Councillor Russell Roberts and SECONDED by Councillor Richard Levell. On being put to the vote this was carried.

**RESOLVED** that:-

- (i) The Risk Management Strategy 2021-2022 and the first draft North Northamptonshire Strategic Risk Register (SRR) be noted and endorsed.

## **9 Report on the Redmond Review**

The circulated report of the Executive Director of Finance (S151 Officer), was received to inform and update members of the committee on the findings of the Redmond Review, into the effectiveness of local authority financial reporting and audit. Appended to the report was the Redmond Review recommendations and the Ministry of Housing, Communities and Local Government (MHCLG) responses.

The Executive Director of Finance (S151 Officer) presented the report and appendix.

Whilst the review and its findings were published several months ago, as a new Audit Committee for a new Authority, it was considered useful to remind Members of the findings of the review and also provide details of the response from the MHCLG.

Last year, 8 September 2020, the Government published the results of an independent review into the effectiveness of local authority financial reporting and audit, led by Sir Tony Redmond. Local authority accounts are complex and the Review highlights a number of potential weaknesses with the current local audit framework and makes recommendations to address these. The report summarised the key findings and recommendations within the report, as well as implications for the Council.

The Review identified a number of potential weaknesses with the current framework of local audit, including:

- An ineffective balance between price and quality with 40% of audits in 2018/19 failing to meet required reporting deadlines in part due to under-resourcing and lack of experienced staff;
- A lack of coordination and regulation of audit activity;
- Outcomes not always being effectively considered and presented to the local authority and the public;
- The technical complexity of statutory accounts limiting public understanding and scrutiny.

The Review identified four key themes for change:

- Local Audit Arrangements;
- Current Fee Structure for External Audit;
- Governance Arrangements;
- Transparency and reporting.

The Review contained 23 recommendations over four categories; a number of the recommendations were relevant to specific types of Authority:

- External Audit Regulation;
- Financial Resilience of local authorities;
- Smaller Authorities Audit Regulation;
- Transparency of Financial Reporting.

The Executive Director of Finance (S151 Officer) also referred to some of the key implications for the Council, assuming that the recommendations were implemented. These included the likely increase in external audit fees and whether these would be covered by the additional £15m from Government is not yet known; requirement for the external auditor to present an annual report to Full Council; continuation of the appointment of at least one suitably qualified independent member to Audit Committee; the revised timetable and a change in the reporting deadline; further consultation timings and payments to audit firms in-year rather than upon completion of an audit.

Members were being asked to note the report and content of the Redmond Review.

The Chair referred to the requirement for a qualified independent member to the Audit and Governance Committee. As part of the recruitment the Chair suggested incorporating into this process a request for a supportive skills-based assessment from members of the committee. This was agreed by the Executive Director of Finance (S151 Officer).

The recommendation contained in the report was duly **MOVED** by Councillor Mark Pengelly and **SECONDED** by Councillor Kirk Harrison. On being put to the vote this was carried.

**RESOLVED** that:-

- (i) The Redmond Review and report be noted.

## **10 Closure of the external audit of Corby Borough Council's 2018-2019 financial statements**

The circulated report of Ernst and Young (External Auditors for Corby Borough Council) was received, to provide members of the committee a summary of the closure of the external audit of Corby Borough Council's 2018-2019 financial statements. Appended to the report were the financial statements for Corby Borough Council for 2018-2019.

Janet Dawson from Ernst and Young presented the report.

Members were asked to note the steps taken by Ernst and Young, as Corby Borough Council's external auditor, to conclude the audit of the 2018-2019 financial statements. This event took place after 1 April 2021, the vesting day and merger of Corby Borough Council with North Northamptonshire Council.

Ernst and Young's report, at appendix A, provided the statutory financial officer of North Northamptonshire Council with a summary of their final position on corrected and uncorrected audit adjustments arising from the audit, concluding on matters which had previously been reported to Corby Borough Council's Governance and Audit Committee before the 31 March 2021.

Management representations were received from the predecessor statutory financial officer and Chairman of Governance and Audit Committee of Corby Borough Council on 31 March 2021.

Following consideration of Corby Borough Council management representations received on 31 March 2021, and Ernst and Young's executive summary issued on 15 April 2021, the statutory financial officer of North Northamptonshire Council authorised the audited 2018-2019 financial statements for issue under delegated authority.

Ernst and Young issued their statutory audit report on the 2018-2019 financial statements of Corby Borough Council on the 30 April 2021. Ernst and Young reported:

- An unmodified opinion on the financial statements;
- An unmodified conclusion on the Council's value for money arrangements;
- An emphasis of matter on the going concern and post balance sheet event disclosures associated with Local Government Reorganisation and the merger of the Council with North Northamptonshire Council. This is not a qualification or modification to the auditor's report;
- Certificate closing the external audit for the 2018-2019 financial year.

Members asked various questions of clarification relating to the overstatement of the valuation of the Corby Cube; the parcels of land that had been sold; how 2020-2021 figures be looked at when some staff are no longer at the authority and any budget implications. The Executive Director of Finance (S151 Officer) and Janet Dawes (External Auditor) responded to the questions.

The Chair commented that there were clearly significant issues but for this committee going forwards it's about fixing the problems and not the blame.

The recommendation contained in the report was duly **MOVED** by Councillor Richard Levell and **SECONDED** by Councillor Peter McEwan. On being put to the vote this was carried.

**RESOLVED** that:-

- (i) The Audit and Governance Committee note the Ernst and Young update on the closure of the external audit of Corby Borough Council's 2019-2019 financial statements.

## **11 Status update on the scheduling of external audits for the legacy financial statements for the financial year ended 31st March 2020 and 31st March 2021**

The circulated report of Ernst and Young (External Auditors for Borough Council of Wellingborough, Corby Borough Council, East Northamptonshire Council, Kettering Borough Council and Northamptonshire County Council) was received, to provide members with a status update on the scheduling of external audits for the legacy financial statements for the financial year ended 31 March 2020 and 31 March 2021.

Appended to the report was a national letter to Local Government Chief Financial Officers and Chairs of Audit Committees on scheduling of 2020-2021 external audits.

Janet Dawson from Ernst and Young presented the report.

The purpose of the report was to provide members of the committee with a status update from Ernst and Young on their scheduling of external audits for the legacy financial statements of the following Councils:

- Borough Council of Wellingborough (2020-2021 financial year);
- Corby Borough Council (2019/2020 and 2020-2021 financial years);
- East Northamptonshire Council (2019-2020 and 2020-2021 financial years);
- Kettering Borough Council (2020-2021 financial year);
- Northamptonshire County Council (2019-2020 and 2020-2021 financial years).

Janet Dawson also provided a verbal update on Ernst and Young's plans for the scheduling of external audits for those demised Northamptonshire Councils that merged with North Northamptonshire Council on 1 April 2021 and some of the audits were at different stages.

She reported that the audit of the accounts for 2019-2020 for the former Northamptonshire County Council were delayed but was now underway and a report would be available at the end of September.

#### Outline Audit Timetable

<b>Council</b>	<b>2019-2020 accounts</b>	<b>2020-2021 accounts</b>
Borough Council of Wellingborough	Audit completed before 31 March 2021	w/c 30 August through to the end of September 2021
Corby Borough Council	Audit to take place concurrently from w/c 6 September 2021 through to the end of the 2021 calendar year	
East Northamptonshire Council	Audit to take place concurrently from w/c 6 September 2021 through to the end of the 2021 calendar year	
Kettering Borough Council	Audit completed before 31 March 2021	w/c 26 July through to the end of August 2021.

The Chair considered the timetable to be a sensible approach with those that had one year to reach the deadline. He commented that he was mindful of responsibilities between the date of this committee and the next meeting in September and suggested a small group be set up with officers and members from the Audit and Governance Committee, to oversee, review and comment on the Audit Planning Memorandums for the audits of the former Kettering Borough Council and Borough Council of Wellingborough, for 2020-2021. This was agreed by the Executive Director of Finance (S151 Officer).

The recommendation contained in the report was duly **MOVED** by Councillor Kirk Harrison and **SECONDED** by Councillor Richard Levell. On being put to the vote this was carried.



**RESOLVED** that:-

- (i) The update on the proposed scheduling of legacy financial statements external audits for 2019-2020 and 2020-2021 financial years be noted.

**12 Item 5 - Predecessor 2020-2021 Internal Audit Annual Opinions**

The circulated report of the Chief Internal Auditor was received to provide members with the 2020-2021 Annual Internal Audit Opinions for the five Northamptonshire Predecessor Councils. Appended to the report were five Appendices. In addition, an exempt Appendix was received which contained some text considered to be confidential. No public or press were present at the meeting.

The Chief Internal Auditor presented the report.

This report summarised the 2020-2021 Internal Audit Annual Reports from the 5 Northamptonshire predecessor Councils: Kettering, Corby, East Northamptonshire, Wellingborough and Northamptonshire County Council. The Internal Audit service was delivered by 2 providers across the 5 Councils:

- Corby and East Northamptonshire – delivered under contract by the shared service (Cambridgeshire County, Northants County and Milton Keynes Council);
- Northamptonshire County Council – delivered by the shared service but via the County as a key partner with Cambridgeshire County and Milton Keynes Council shared service;
- Kettering and Wellingborough – delivered under contract by CWAudit (an NHS led shared service consortia).

The table below provided a single summary of the 5 opinions:

Council	Opinion	Opinion Scale
Corby	Satisfactory	Substantial Good Satisfactory Limited No Assurance
East Northamptonshire	Satisfactory	
Northamptonshire County Council	Satisfactory	
Kettering	Significant	Full Significant Moderate Limited No Assurance
Wellingborough	Significant	

- Corby, East Northamptonshire and the Northamptonshire County Council opinions are therefore the middle opinion (equivalent to the Moderate category at Kettering and Wellingborough);
- Kettering and Wellingborough opinions are therefore the 2<sup>nd</sup> highest/best opinion (equivalent to the Good category applied for Corby etc).

The Chief Internal Auditor highlighted that the report gave assurances that those key issues highlighted by previous Internal Audit services had been considered within the 2021-2022 Audit Plan. The Chief Internal Auditor responded to members' questions relating to data and finance systems.

The recommendation contained in the report was duly MOVED by Councillor Matt Bingley and SECONDED by Councillor Kirk Harrison. On being put to the vote this was carried.

**RESOLVED** that:-

- (i) The committee note the annual opinions provided and how key issues have been reflected within the 2021-2022 audit plan, as set out in the report.

### **13 Close of Meeting**

The meeting closed at 4:00pm.

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Chair

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Date