



Audit and Governance Committee

A meeting of the Audit and Governance Committee will be held in the Jeffrey Room on Wednesday 26 January 2022 at 6.00 pm

Agenda

1.	Apologies for Absence and Notification of Substitute Members
2.	Declarations of Interest Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.
3.	Minutes (Pages 5 - 10) To confirm the Minutes of the meeting of the Committee held on 10 th November 2021.
4.	Chair's Announcements To receive communications from the Chair.
5.	Urgent Business The Chair to advise whether they have agreed to any items of urgent business being admitted to the agenda.
6.	Risk Register Deep Dive - Corporate Risks Update: Economic Recovery (Pages 11 - 16)
7.	Internal Audit 2021-22 Update Report (Pages 17 - 42)
8.	Northampton Borough Council - Annual Audit Letter 2019-2020 (Pages 43 - 68)

9.	Northamptonshire County Council - Annual Audit Letter 2019-2020 (Pages 69 - 108)
10.	Northamptonshire County Council - External Audit Planning Report Year Ending 2020/21 (Pages 109 - 164)
11.	Northamptonshire County Council (NCC) - Annual Governance Statement (AGS) 2020/21 (Pages 165 - 194)
12.	External Audit (Grant Thornton) Progress Report (Pages 195 - 222)
13.	Strategic Risk Register (Pages 223 - 250)
14.	Review of Committee Work Programme (Pages 251 - 254)

Catherine Whitehead
Proper Officer
18 January 2022

Audit and Governance Committee Members:

Councillor Cecile Irving-Swift (Chair)

Councillor John Shephard (Vice-Chair)

Councillor Jamal Alwahabi

Councillor Alan Chantler

Councillor Stephen Clarke

Councillor Rosie Humphreys

Councillor Charles Manners

Councillor Jake Roberts

Councillor Danielle Stone

Information about this Agenda

Apologies for Absence

Apologies for absence and the appointment of substitute Members should be notified to democraticservices@westnorthants.gov.uk prior to the start of the meeting.

Declarations of Interest

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates

Members are reminded that any member who is two months in arrears with Council Tax must declare that fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

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Queries Regarding this Agenda

If you have any queries about this agenda please contact Sofia Neal-Gonzalez, Democratic Services via the following:

Email: democraticservices@westnorthants.gov.uk

Or by writing to:

West Northamptonshire Council
One Angel Square
Angel Street
Northampton
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Audit and Governance Committee

Minutes of a meeting of the Audit and Governance Committee held at on Wednesday 10 November 2021 at 6.00 pm.

Present

Councillor John Shephard (Vice-Chair)
 Councillor Jamal Alwahabi
 Councillor Michael Brown
 Councillor Alan Chantler
 Councillor Stephen Clarke
 Councillor Jake Roberts
 Councillor Danielle Stone

Substitute Members:

Also Present:

Apologies for Absence: Councillor Cecile Irving-Swift
 Councillor Rosie Humphreys
 Duncan Wilkinson

Officers Martin Henry, Executive Director - Finance (Section 151 Officer)
 Sofia Neal-Gonzalez, Democracy Officer
 Audra Statham, Assistant Director - Finance (Accountancy)

21. Apologies

Apologies received from Councillor Cecile Irving-Swift and Councillor Rosie Humphreys, and Duncan Wilkinson – Chief Internal Auditor

22. Declarations of Interest

None

23. Minutes

The minutes of the meeting held on 29th September 2021 be agreed subject to an amendment noting that in his absence Councillor Stephen Clarke had sent through various questions.

Councillor Stephen Clarke provided the following statement.

“He was surprised to read on Page 8 of the Minutes of the last meeting, **Item 8 Approval of Legacy Councils Annual Governance Statements** that *Members had no questions*. Although he had been unable to attend the meeting he had submitted

68 written questions for that meeting. Of the 68 written questions, 49 were answered on 12 October 2021, which left 19 outstanding. Of the 19 unanswered questions, sixteen still needed to be answered and three had responses, which would require more work. He would be writing to Martin Henry, Executive Director of Finance seeking further responses.”

24. **Urgent Business**

None

25. **Chair's Announcements**

It was advised that the deep dive on Economic Recovery risk that had been planned to take place during the meeting would not go ahead as the relevant officers had not had the time to compose a report. It would be re-scheduled for the new year.

A Councillor asked that in the future the Chair be noted as the Chair and not Chairman in order to be inclusive, this would be in-keeping with the non-gendered language used in the constitution

26. **Internal Audit 2021-22 Update Report**

At the Chair's invitation the Executive Director of Finance introduced the report on behalf of the Chief Internal Officer who had sent his apologies. Section 2 of the report gave the audit progress to date, it was advised that there were 69 audits planned, 30 already completed, 12 in the final draft stage and 18 in progress. The report discussed the audit shortfall, various options had been discussed, the Section 151 Officer would be considering these options. Page 26 had advised that the first 3 audits undertaken had been carried over from the previous authorities.

Councillors made the following comments.

- It was noted that 25% of potential fraud discovered was real, what could the council do to help with this going forward.
- It was queried how the council would address the resource problem that had been mentioned in section 7.1.
- The 625-audit day shortfall was noted, what would the council do to address the shortfall.
- How many full, part time and agency staff the council had was queried.
- Had the audit shortfall anything to do with lack of response from relevant departments or officers.
- It was queried whether the likelihood of fraud would increase when bringing the fraud department in-house, specifically the transition stage.
- Had the amount of known fraud been what was expected.
- The report had discussed legacy debt, would this work be completed.

The Chair made the following comments.

- Similar pressures regarding resources had occurred throughout all local authorities.

- The committee's remit would be limited to what was open to the internal auditors.

The Executive Director of Finance made the following comments.

- The council would have its own dedicated fraud team when the service comes back in house.
- There would be a separate proposal to highlight the resource shortfall. The options available were, to buy in more Audit resources, to not proceed with some lower risk audits or to carry forward some audits into the following year. The committee was advised that it could also be a combination of all the options.
- With regards to productivity, the target for the council was 90%.
- It was noted that there was a shortfall in staffing levels within Internal Audit, some contracts that had been in place in the previous councils had been stopped.
- Staffing levels had been noted in the risk register.
- Any legacy debt should not impact the base budget.

27. **External Audit Progress Report - Ernest Young**

The Chair invited Debbie Hanson from EY to give a verbal update. The committee was informed that there were some further adjusted and unadjusted differences identified since the last report presented to the Committee in September. The unadjusted differences were mainly related to differences in the pension liability identified by the pension fund auditor, which was related to the impact of the availability of more up to date information related to estimated figures.

With regards to the NCC audit, there were some outstanding areas, but the majority had been completed. Some issues had been found, which included incorrect debtors' codes being used, although there had been no bottom-line impact from these.

Debbie Hanson from EY advised that planning for the 2021 audit had already commenced in lower risk areas. The committee was asked if they wished to see a copy of the work carried out before it was brought to the committee in January. The committee agreed that they would like to see a copy of the work as soon as it was ready.

A councillor asked whether the NCC audit would include the LGSS Service, Debbie Hanson advised that at the moment there would be change in their approach to LGSS.

Mark Rutter from EY presented the next part of the item and noted that the main issues with outstanding audits had been delay in responses to queries that had been sent to officers. There had been some findings which would be provided to the committee.

With regards to NBC and materiality, there had been an increase from £2.2 million to £4.5 million which represented a 2% expenditure. It was noted that 4% was expected due to the size of the organisation.

Significant risk had been found with regards to land and buildings, the committee was advised that the council had a varied portfolio of assets, it was noted that council dwellings and heritage assets had been excluded from this.

The debt from the Northampton Town Football Club was mentioned, there had been limited progress in this area.

Councillors made the following comments.

- Business rates had been mentioned in the report.
- Had the football club (Sixfields site) incurred any further expense, such as legal costs? Would this influence the signing off the budget?
- It was noted that the provided paper report had stated that there had been a 'fundamental governance oversight', which had been a direct quote from the Internal Audit report.
- It was advised that the committee would need assurances regarding the valuation of assets.
- It was asked what had been done about the limited additional progress carried out.
- Two hotels were listed as assets in the report, which two were they?

The following comments were made by the Executive Director of Finance.

- Work being done on business rates would give them more resilience going forward.
- With regards to Sixfields some costs would still be incurred by the continued engagement of lawyers, but these would be immaterial.

Mark Rutter from EY advised that the two hotels discussed in the report were the Marriott Hotel and Park Inn.

With regards to the Daventry District Council audit Debbie Hanson from EY made the following comments.

- The audit was substantially complete, some differences with the pension liability figure had been noted.
- There would be an internal meeting to agree a consistent approach to all the previous councils' pensions.

28. **External Audit Progress Report - Grant Thornton**

At the Chairs invitation Ciaran McLaughlin from Grant Thornton gave a verbal update. The committee was informed that an audit plan would be presented at the January meeting.

There were no questions.

29. **Future Appointment of External Auditor**

At the Chairs invitation the Assistant Director of Finance for Accountancy presented the report, copies of which had been previously circulated. The committee was informed that in 2017 all the previous authorities opted into the PSAA service which

covered a 5-year period. WNC would have to now opt into the 2023/24 tender, different options had been set in the report. Due to its technical nature, it was advised that a limited number of audit firms were able to do the sort of work that was required by the council.

A councillor agreed and noted that joining the PSAA would be less burdensome to the council.

30. Corporate Risk Register

At the Chairs invitation The Executive Director of Finance presented the report copies of which had been previously circulated. The report highlighted what the main corporate risks had been and what the current risk scores were, the committee were informed that there had not been a significant change.

A Councillor asked if the resignation of the Director of Children's Services would create a risk increase, the Executive Director of Finance advised that it would be a consideration.

Discussion took place regarding the next deep dive, with a staffing item also being put forward.

31. Review of Committee Work Programme

The Chair noted that deep dive options had been identified but resources had not been considered.

The Executive Director of Finance noted that a deep dive of the Children's Trust had been raised at the last meeting, this could be a candidate for a deep dive.

The meeting closed at 7.17 pm

Chair: _____

Date: _____

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WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

26 JANUARY 2022

Report Title	Corporate Risks Update: Economic Recovery
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Report Author	Jim Newton, AD Growth, Climate & Regeneration, jim.newton@westnorthants.gov.uk
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Contributors/Checkers/Approvers

West MO (for West and joint papers)	Catherine Whitehead	Emailed 17 th January 2022
West S151 (for West and joint papers)	Martin Henry	17 th January 2022

1. Purpose of Report

- 1.1. The Audit and Governance Committee has requested an update in respect of risk E06 Economic Recovery - West Northants recovery from COVID is not supported and managed in a strategic and timely way leading to long term unemployment, a downturn in economy and reduction in prosperity. The purpose of this report is to update on with work being done to mitigate this risk.

2. Recommendations

- 2.1 It is recommended that the Committee notes the actions that have been taken to mitigate the risk

3. Report Background

3.1 **The risk E06 Economic Recovery** - West Northants recovery from COVID is not supported and managed in a strategic and timely way leading to long term unemployment, a downturn in economy and reduction in prosperity, **has a residual score of 16, which is a high risk.**

3.2 **Reasonable Controls have been assessed in relation to the following risks:**

- Exodus of large employers as we fail to retain their business making West Northants an unattractive investment area for new businesses;
- Reduced prosperity leaves inequality issues for most deprived areas and more reliance on foodbanks and other support;
- Increased levels of homelessness and higher demand for temporary accommodation and affordable housing; and
- Increased Debt as a result of inability to pay

3.3 **Poor Controls have been assessed in relation to:**

- Significant job loss means greater reliance on Council tax support and Council services increasing costs; and
- Reduced spending leads to the closure of more retail and offices and business rates income reduction creating cost pressure

4. Update with respect to Reasonable Controls

4.1 **Exodus of large employers as we fail to retain their business making West Northants an unattractive investment area for new businesses.** The control measure for this is to engage major employers in west Northants. In practice, this has taken the form of three key priorities: develop engagement strategy to understand plans, gaps and share prospectus for change and growth; maximise use of all government funding opportunities; and use of Business Improvement Districts (BIDs) to support business.

4.2 Business engagement is on-going, through formal networks (such as Silverstone Technology Cluster), and on an individual basis. The legacy council economy teams had prepared covid recovery strategies, which had been informed by engagement with local businesses within the key sectors of the economy. The advantage to this approach was that it enabled the nuances of the different parts of West Northamptonshire to be picked up – for instance the rural south being skewed towards tourism and hospitality, whereas the urban Northampton was more balanced to include financial services and a significant industrial base.

4.3 Led by the Portfolio Holder, we have also developed a draft investment prospectus, which focusses on the opportunities for new jobs and capital investment to the area. A number of focussed meetings were held with key local investors, to test the content, focus and ‘positioning’ of the prospectus. The intention is that the prospectus will be used as a bidding document, to encourage public and private sector investment into West Northamptonshire.

4.4 We have distributed numerous rounds of Business Grants , to local businesses which have been affected by the pandemic. This has involved preparing policies, to ensure that the money was

targeted to the businesses in most need of the grants. We are currently administering the latest round of Additional Restriction Grants (ARG) including the additional top-up funding recently announced by Government. The window for applications closes on 17 January 2022 and to date we have received 250 applications. The new announced Omicron Hospitality and Leisure Grant scheme offering further support to businesses has just been launched with a closing date for applications of 1 March 2022.

4.5 The Council is also spending £33m of Government grant, comprising Towns Fund in particular, to regenerate Northampton town centre. This will help to stimulate greater private sector investment into the town, as investors will engage with the prospectus, and come and see the significant public sector investment that is being made. It is not only Northampton that is benefitting from this investment – works will shortly complete to upgrade the Towcester Watermeadow, which is a fantastic and well used green space in the heart of the town. In addition, work is due to start this year to create a bigger, upgraded new car park at Sponne Arcade in Towcester. Daventry’s brilliant new cinema has recently opened, which acts as a draw to the town centre.

4.6 We have an excellent working relationship with the BIDs (Brackmills and Northampton town centre), and find they are an excellent way to engage with a large number of local businesses quickly. We also engage with other business support organisations, such as Federation of Small Businesses, which is active in the area.

4.7 **Reduced prosperity leaves of inequality issues for most deprived areas and more reliance on foodbanks and other support.**

4.8 The control measures for this include (but not exhaustive):

- Additional Public Health Community Development staff working in specific localities with the most significant health inequalities
- The STAR (Supporting those at Risk) fund. This is specific funding to address the long-term impact of Covid-19 through supporting organisations that provide local services to the most vulnerable residents in West Northants.
- Ongoing commitment throughout 2021/22 to provide community funding to key advice services provided by the local voluntary/community sector e.g. Citizens Advice; Community Law Service.
- Councillor Empowerment Grants specifically focused on supporting local community groups to recover post-pandemic
- Development of a West Northants Anti-Poverty Strategy by Spring 2022. Alongside this we are actively supporting the completion of a Poverty Truth Commission across West Northants.
- Development of a new Health Inequalities Strategy for West Northants within the new Integrated Care System arrangements.

All of these measures will focus on groups of residents and/or localities most impacted by Covid-19 and support targeted intervention and support plans to reduce inequalities.

4.9 **Increased levels of homelessness and higher demand for temporary accommodation and affordable housing.** The control measures for this include (not exhaustive):

- Additional service provision in the form of accommodation and support for the winter period for people sleeping rough.
- Development of a West Northants Housing Strategy by Spring 2022.
- Co-produce with key partners an application to central government for funding under Rough Sleeper Initiative 5.
- Align and transform temporary accommodation service delivery. Current timetable for this programme of work is January to June 2022. This should deliver a new approach to temporary accommodation provision and a West Northants Temporary Accommodation Strategy (by Summer 2022).
- Complete a comprehensive review of the general need homelessness services (not single homelessness & rough sleeping) across West Northants to inform the programme of transformation of this area of service delivery.
- Start developing a new West Northants Homelessness and Rough Sleeping Strategy in 2022/23.

4.10 **Increased Debt as a result of inability to pay.** The control measure here is to prepare an economic strategy, as well as an anti poverty strategy, together with development of financial support for residents before crisis. The clear priority has been to ensure support schemes are put in place, with access to early advice and support for debt management.

4.11 Economic strategy work has so far focussed on the investment prospectus, which is at an advanced stage. The support schemes that were already in place, concerning debt management, have been enhanced using covid grants.

5. Update with respect to Poor Controls

- 5.1 **Significant job loss means greater reliance on Council tax support and Council services increasing costs.** The control for this is to understand where job opportunities are post COVID, and identify skills gaps, to maximise return to work. The individual initiatives include surveying businesses; maximising use of government funding and employment schemes; and investigate business incubation schemes.
- 5.2 Work on the skills strategy is yet to commence, largely due to the focus until now having been on distributing grant funding, as well as other targeted support to employers and employees through the Job Club, and by attending exhibitions and conferences to promote the business support services that we offer.
- 5.3 The Job Club, which matches people to jobs, has been operating in south Northamptonshire for a number of years, and has an established reputation and track record. Money is secured through section 106 to support this work, as the services on offer include CV writing help, as well as other assistance to help people into work.
- 5.4 The Vulcan Works project, in the heart of Northampton, promises to be an excellent facility to support new businesses. West Northamptonshire has a higher than average rate of business formation, and we have invested in a new building to support that. A range of unit sizes are available, and we are in the process of procuring an operator to manage the Vulcan Works

- 5.5 **Reduced spending leads to the closure of more retail and offices and business rates income reduction creating cost pressure.** The control for this is to prepare an economic strategy and prospectus for business and retail in West Northants. The identified mitigating action is to research retail trends, spend and business support schemes to stimulate new business or business models.
- 5.6 There has been considerable media coverage, both locally and nationally, about high street business closures. Northampton has seen its fair share of shop closures, however the rate of shop closures in Northampton is no higher than the regional or national averages. Towcester, Brackley and Daventry similarly have not experienced disproportionately high numbers of shop closures. It is also worth noting that the larger shop units that have become vacant tend to be national chains which have either rationalised or closed completely. It is therefore a national trend away from bricks and mortar retail, as the growth of online retailing accelerates. A visible consequence of this shift on retailing is the growth in distribution warehouses.
- 5.7 Distribution warehouses are not universally popular, however, they do generate large numbers of jobs. Opponents to new warehousing developments often point to low skilled and low paid jobs, however this is not a universal truth – many distribution businesses employ large numbers of office-based and highly skilled technical staff (to operate and repair machinery), alongside large numbers of drivers, pickers etc. They, therefore, offer highly paid jobs as well as large numbers of lower skilled jobs to replace those being lost elsewhere in the economy. This ‘churn’ in the economy is a normal process, however it has become more noticeable as the process has accelerated due to the pandemic. West Northamptonshire’s location, along the M1 corridor and on the fringes of the logistics ‘golden triangle’ (from which 90% of the UK population is within a day’s drive), makes it an extremely attractive area for distribution warehouse investment. It is also worth noting that large distribution warehouses can be built relatively quickly, and generate large amounts of Business Rates for the Council. The final fact to note is that each of the last three years have seen, nationally, a record take up of distribution floorspace. The demand for warehousing is not going to reduce any time soon.
- 5.8 Empty offices are not all the same. Grade A office space is reasonably likely to be re-let, if the owner is realistic about the rent. Lower grade offices, which become vacant, are less likely to re-let, but that is not to say they will not. The Government has responded to this, with a series of planning rule changes to allow first vacant offices to be converted to residential without the need for planning permission, and more latterly for vacant offices to be demolished and replaced with a new build for residential, without the need for planning permission. The truth is that, without the investment into town centres as destinations (in other words, an experience not just shops), flat conversions will continue to provide the optimal return for the building owners. It is worth stating that flats, within town centres, are a good thing in principle, because they add to the range and choice of housing that is available. The risk is that, if they are not supported by new cultural, leisure and other uses, town centres continue to decline. That is why we have prioritised the regeneration strategy for Northampton, as well as the local plans for the whole of the district, to provide market certainty and stability and to support investment decisions.

6. Implications (including financial implications)

6.1 Resources and Financial

6.1.1 The work that is outlined in this paper is funded either from existing staff resources, or through specific Government Covid grant funding.

6.2 Legal

6.3 The Council has duties to support residents, in particular the most vulnerable, and this report outlines the support services that are provided to meet that responsibility

6.4 Risk

6.4.1 The Council's strategic risks include the one identified in this report.

6.5 Consultation

6.5.1 Not applicable

6.6 Consideration by Overview and Scrutiny

6.6.1 Not applicable.

6.7 Climate Impact

6.7.1 Economic growth does have an impact on climate, and the Council's local plans include policies designed to achieve the highest standards of construction possible

6.8 Community Impact

6.9 The content of this report outlines a range of services, grants and other work that is all intended to support local communities.



WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

26 January 2022

Report Title	Internal Audit 2021-22 Update Report
Report Author	Duncan Wilkinson, Chief Internal Auditor, Duncan.wilkinson@milton-keynes.gov.uk

Contributors/Checkers/Approvers

West MO (for West and joint papers)	Catherine Whitehead	Emailed 17 th January 2022
West S151 (for West and joint papers)	Martin Henry	11 th January 2022

List of Appendices

Appendix 1 – IA Update Report

Appendix 2 – IA Action Tracker

1. Purpose of Report

- 1.1. The purpose of this report is to provide a regular, periodic update on work delivered by the Internal Audit & Counter Fraud team, as of 31 December 2021.

2. Executive Summary

- 1.2. Appendix 1 provides the detailed update on progress to complete the 2021/22 approved Audit Plan. The current forecast is that the 2021/22 Audit Plan should be 75% complete by 31st March and 100% complete by 31st May.

3. Recommendations

- a) That the report be noted.

4. Reason for Recommendations (NOTE: this section is mandatory and must be completed)

The Committee's consideration of this update is needed to ensure the Council complies with the Public Sector Internal Audit Standards and the Accounts and Audit Regulations.

5. Report Background

- 5.1 Best practice (Public Sector Internal Audit Standards and the Local Government Application Note) provides that the Council's Audit and Governance Committee (AGC) should receive regular reports on progress to deliver the approved Annual Audit Plan.
- 5.2 Consistent with best practice this report sets out the work in progress to give assurance that the service is delivering work to provide assurance to the Council.

6. Issues and Choices

- 6.1 The progress update is attached at Appendix 1. The report is structured to provide:
- Progress of planned audits
 - A summary of follow up / recommendations
 - A summary of referrals (and outcomes) to the Counter Fraud team
 - A summary of any other work
- 6.2 Section 5 of the detailed report summarises the IA Action Tracker data where the service follows up on all agreed recommendations. Appendix 2 provides the detailed schedule of that summary.

7. Implications (including financial implications)

7.1 Resources and Risk

- 7.1.1 As set out within the report

7.2 Legal

7.2.1 This report, through an effective Internal Audit service ensures that WNC meets its obligations under the Accounts and Audit Regulations 2015.

7.3 **Equality and Health**

7.3.1 None.

7.4 **Risk**

7.4.1 None

7.5 **Consultation**

7.5.1 None required

7.6 **Consideration by Overview and Scrutiny**

7.6.1 None required

7.7 **Climate Impact**

7.7.1 None

7.8 **Community Impact**

7.8.1 None

8. Background Papers

8.1.1 None

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Internal Audit and Counter-Fraud Progress Update – January 2022

DUNCAN WILKINSON, CHIEF INTERNAL AUDITOR

26 January 2022

1 Introduction

- 1.1 This progress report provides stakeholders, including the Audit Committee, with a summary of Internal Audit and Counter Fraud activity undertaken for the period 15th October 2021 to 31 December 2021 to.
- 1.2 The Audit Plan was agreed in early May 2021 and approved at the June Committee meeting. Whilst there has been a concerted effort by the Team to complete the Q1 schedule of work and to start progressing other audits listed, the challenge remains of how best to get engagement from Client officers who are going through change within the new Authority and are focused on implementing and embedding new processes to ensure continuity of service.
- 1.3 **Annex A** provides the background and context for how Internal Audit operates including how governance is tested and evaluated and what the relevant Audit Opinions mean.

2 Summary

2.1 Plan Progress – Section 3 & 4 below and Annex B

As at 31st December 2021:

- 15 audits had been finalised/completed – report issued and recommendations accepted
- 3 audits were at draft report stage- report issued to management and comments and implementation dates to be agreed.
- 2 audits were at field work complete stage with the report undergoing Audit’s quality review process.
- 19 audits were at various stages of fieldwork progression.
- 16 audits were to be started.
- 7 audits removed and 1 deferred.

The Audit teams continue to experience some difficulties in progressing individual audits. This is no criticism of officers or the Council as it is primarily due to the other pressures on those areas being audited. It is delaying the completion of audits and increasing the days required. It is the CIA opinion that engagement with IA is being prioritised but that auditees are (rightly) balancing IA’s requests with other issues of similar or greater priority.

2.2 Implementation of Recommendations - Section 5 below and Annex C

The Action Tracker at Annex C shows a total of 82 recs outstanding and of these 73 were due to be followed up before the end of December 2021- 6 were categorised as Essential and 67 were categorised as Important.

2.3 Counter Fraud - Section 6 below

In relation to Housing tenancy referrals, up to the end of September 2021, the Counter- Fraud team have reviewed and assessed 80 cases. 10 other counter fraud referrals were also addressed during the period October to December 2021.

In addition, work has been undertaken in support of screening s17 applications and National Fraud Initiative data reviews.

2.4 Service Resources and Performance– Section 7 below

There has been notable progress albeit slower than expected. The interim arrangements agreed in June 2021 have been lifted and the Service is now working towards the closure of the shared service by 31st March 2022.

A resource analysis has been undertaken to identify the level of resource needed to deliver the current Plan or to adjust the Plan as necessary. The option to procure external resources to support the Audit team has been progressed and a marked improvement in progression of delivery of the plan is anticipated.

3 Progress against Audit Plan

3.1 In a normal year, the expected performance target is 95% of the Annual Plan to be completed to draft report stage by 31 March and 100% to draft report stage by 30 April of the following year. Given the significant changes with the Organisation, the late approval of the Audit Plan and the resourcing issues encountered, the target for completion of the Plan this year has had to be amended. It is anticipated that with the assistance of the external resources, 100% of the audit plan will be completed by the end of May 2022, with 75% completed in March 2022.

3.2 The table below summaries progress on the Audit Plan as at 31 December 2021, including assignments brought forward from the County Council and completed during Q1. This shows that 64% of the Plan was at draft report stage or in progress. As noted above, greater progress is expected in the next quarter, when the external resource is fully deployed to work on audits not yet started.

WNC AUDIT PLAN 2021-22	Number of Audits				Removed/ Deferred/c
	Plan	Draft / Final Report	In Progress	Not Started	
Q1(incl. Bfwd)	18	15	3	0	0
Q2	16	3	13	0	0
Q3	14	0	6	0	8
Q4	15	0	0	14	1
TOTAL Audits	63	18	22	14	9
	100%	29%	35%	22%	14%

3.3 A breakdown of these and the percentage completion for each audit is at **Annex B** and Committee to note that no limited assurance opinion has been issued for the audit areas reviewed to date, despite the on - going challenges within Service areas as a result of the aggregation of Services.

4 Changes to Audit Plan

4.1 Since the last Committee, the following changes to the Audit Plan are proposed for approval.

- Seven audits that were not considered to expose the Council's control environment to high risk are to be removed from the 2021/22 Audit Plan following resource and budget availability analysis by the organisation. The Executive Finance Director was consulted on these audits. These audits will be reconsidered for inclusion in the 2022/23 Audit Plan.

Audit title	
Customer Services/complaints monitoring	On going work to integrate the service
General Ledger transactions testing	work completed on Q1/Q2 -to be included in testing for 2022/23
IT applications Security – Adult Social care database	IT estate review project is in progress
Home Improvement Grants	Reviewed as part of grants certification work
GDPR – Record Retention Policy	
Land & Property Sales & Acquisitions	
Sundry Income Cashflow - Fees	
Quarterly Risk Register review & Testing	Assurance to be taken from work of Internal Controls Team

- One Audit is to be deferred to delivery as part of 2023 Audit Plan, to accommodate extra work on Payroll and the pensions fund, following discussions with management.
- The legacy Debt Review has been amended to allow Internal Audit to have a role in the project to migrate the data to WNC systems, from sovereign councils,
- A Home to School Transport review has been added to the plan, following concerns around the adequacy of checks on providers and drivers.
- Pensions Fund Audit and Payroll Transactions testing have been included within the Plan.

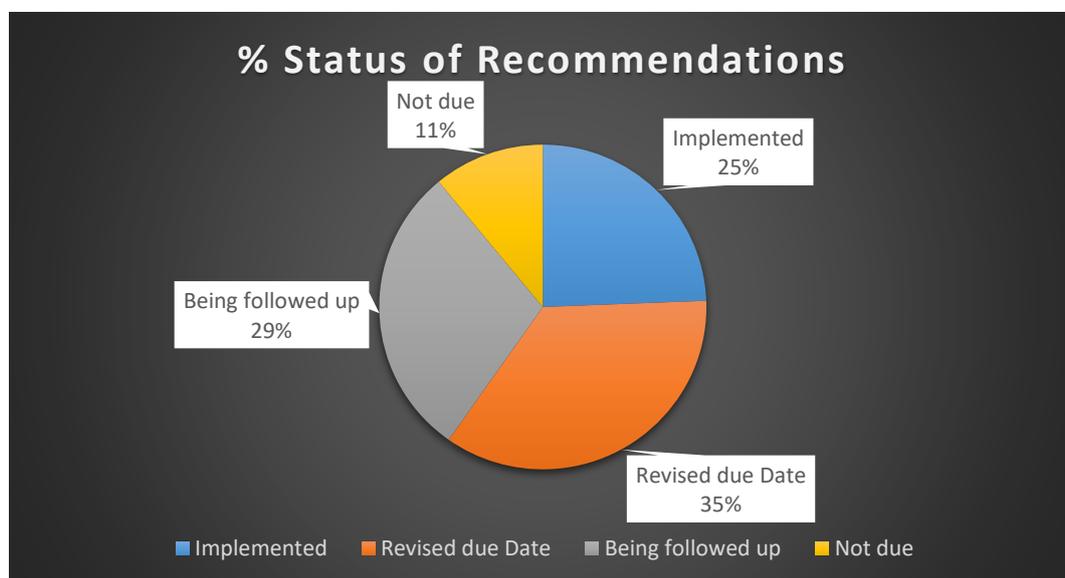
4.2 Grant verification work to enable certification of spend by the Chief Executive and Chief Internal Auditor has been completed and returns submitted to the relevant government office for the following Grants:

- Disable Facilities Grant
- Local Bus Subsidy (ring fence grant)

Work is ongoing on grants spent by the former County Council for which WNC has to verify the spend and submit signed declarations.

5 Implementation of Management Actions

- 5.1 Annex C - Action Track lists 82 recommendations, including 65 brought forward from Sovereign Councils. Of these
 20 recs have been fully implemented.
 29 recs show implementation is in progress with an update status comment provided as noted and a revised implementation date entered
 24 recs were still being followed up at the time of reporting, with responses awaited from officers.
 9 recs the implementation date has not been reached.



6 Counter Fraud Update

- 6.1 Fraud cases are risk assessed, to assess whether detailed investigations are merited or alternative options to progress matters are more appropriate. Similar to the above, the exercise continues to consolidate all live cases as at 1st April from within sovereign Councils.
- 6.2 A total of 110 housing tenancy referrals have been received and addressed by the Counter Fraud team up to the end of December 2021. The outcomes from the team's work is detailed below.

Category of Referrals	No of Referrals	Outcome	Notional Savings
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Housing applications	18	Applications withdrawn, refused or downgraded	£3240 each = £58320
Housing properties	11	Properties Recovered to be relet	£93000 each = £1,023,000
Right to Buy applications	3	Application refused	£66000 total
Debt Outstanding	5	Debt recovered or warning issued	£23261
General Housing referrals	73	Closed with advice given	
Total	110		£1,170,581

6.3 The table below sets out the other non-housing cases referred to the Counter Fraud team during the period 15 October 2021 – 31 December 2021 and the outcomes achieved.

Fraud Type	No of Referrals	Outcomes (01/09/21 - 31/12/21)
Blue Badge misuse / parking	5	Closed -Risk assessed and referred on to Parking Services.
Housing & Ctax Benefits	1	Closed -Referred on to Department for Work and Pensions via SPOC
HR staff matter- school HR Staff matter – staff conduct	2	Open -Matter logged but will be investigated by the school. Open -New case, under review with service and HR Business Partner.
Taxi Licensing	1	Closed -Investigated and briefing note issued. Police referral completed and Audit to be completed Q4.
Grants	1	Closed -Allegations have been addressed by the service. Briefing note to be completed.

6.4 In addition, the Counter fraud team has been progressing work on the National Fraud Initiative. This work has involved:

- **Single Person Discount data** has been extracted and uploaded to the NFI portal and has started work with Revenues & Benefits Team to review matches as they are identified
- **C19 second phase post payment assurance** – work has been ongoing to ensure the data will be extracted and uploaded on to the NFI portal by January 2022 deadline. Matches will be available for review in March 2022.

6.5 A Fraud Hub has been set up and discussions are being held with the Northampton Pensions fund and Daventry Housing Allocations to identify data for extraction and matching to identify potential frauds. To date, across the Northamptonshire Pension Fund, as well as identifying 25 instances where the pension paid was more than the pension due, the exercise highlighted that for these 25 and in a further 6 instances, pensions had continued to be paid when the individual had deceased, and the payments should have stopped. Over the period of a year, this amounted to £59673

which equates to a notional savings per the Cabinet Office of £363,434, if this amount had been invested.

- 6.6 The fraud resource from Oxford City Council covering South Northants area has focused on NFI data reviews for revenues and benefits data and during Q3, £1179 was identified as overpaid and to be reclaimed for housing benefit and student relief and £4414.66 was identified as overpaid for Council Tax relief.

7 Service Resource and Performance

7.1 Service Resource

A detailed analysis of the resource position and options for addressing the identified shortfall was considered by Management and a contract agreement has been put in place with an external provider, to ensure the Plan for 2021/22 will be delivered in line with the target and timeframe.

7.2 Plan completion and productivity:

An internal Audit Plan for the full 2021/22 year was submitted to the Audit & Governance Committee for approval at the 16th June meeting.

As detailed 3.1 above, performance targets have been amended to 75% completion at March 2022 and 100% at end of May 2022, to reflect the turbulence of the first year of the New authority

As at 31 December 2021 64% of the Plan was either complete to final/draft report stage or in progress.

Auditor productivity is measured with a target of 90% productivity (ie 90% of an Auditors time being allocated to auditing of client work as opposed to administrative tasks). As at 31st December 2021, productivity of the team was at 79%. This reflects ongoing issues with obtaining engagement with the audit process from client officers, as well as the resignation of a member of staff at the end of November.

7.3 Client satisfaction

During the year, customer surveys will be issued to Audit clients at the end of the audit assignments. The performance measure target in relation to customer surveys is 100% customers record satisfied or better. No client satisfaction surveys have been issued to date.

7.4 External Assessment

PSIAS requires that compliance with its provisions is externally assessed every 5 years. The last review was completed in 2016, and confirmed the service complied with requirements. Annual self-assessments, consistent with PSIAS have also confirmed ongoing compliance. The planned 2021 external assessment was deferred in the light of the decision to close the shared service. With the new target of closure being 31st March it is considered sensible to undertake the required

external assessment in summer 2022 within each individual Council after closure of the shared service.

Annex A

Internal Audit Context and Background

Development of Audit Plans

The changing public sector environment increasingly necessitates an ongoing re-evaluation of the type and level of coverage required to give stakeholders the appropriate level of assurance on the control environment of the Council.

The Chief Internal Auditor must provide an annual internal audit opinion on the entire internal control environment based on an objective assessment of the framework of governance, risk management and control. This includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

To support this, internal audit must develop and deliver a risk-based plan which takes into account the organisation's risk management framework and includes an appropriate and comprehensive range of work, which is sufficiently robust to confirm that all assurances provided as part of the system of internal audit can be relied upon by stakeholders.

The WNC Audit Plan is developed from an understanding of the risks facing the Council. The Corporate Risk Register is used as a key source of information, as is the Internal Audit risk assessment of the organisation. These are used to form the basis of the Internal Audit plan.

In developing the plan, Internal Audit (IA), consults services, Senior Managers, Management Team and the Audit Committee. The Audit Committee then approves the plan and for the 2021/22 plan, this occurred at the June 2021 meeting.

The Audit Plan remains under frequent review both in terms of completion and its scope. Modern auditing requires the plans remain flexible to accommodate changes in the risk profile of the Council throughout the year.

The 2021/22 plan is based on *assurance blocks* that each give an opinion on the key control environment elements, targeted towards in-year risks, rather than a more traditional cyclical approach that looks at each system over a number of years. For each *assurance block*, the most appropriate level of coverage necessary to provide the most effective annual assurance opinion and added value to the organisation has been developed. The Audit Plan reflects the environment in which public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, better assurance, safeguarding and making every penny count.

How Controls are Audited and Evaluated

There are three elements to each internal audit review. Firstly, the CONTROL ENVIRONMENT is documented and assessed to determine how the governance is designed to deliver the service's objectives. IA then needs to test whether COMPLIANCE is evident in practice.

Finally, IA undertakes further substantive testing and/or evaluation to determine the ORGANISATIONAL IMPACT of weaknesses found.

The tables below outline the criteria for assessing the above definitions:

Control Environment Assurance	
Assessed Level	Definitions
Substantial	Substantial governance measures are in place that give confidence the control environment operates effectively.
Good	Governance measures are in place with only minor control weaknesses that present low risk to the control environment.
Satisfactory	Systems operate to a moderate level with some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance	
Assessed Level	Definitions
Substantial	Testing has proven that the control environment has operated as intended without exception.
Good	Testing has identified good compliance. Although some errors have been detected these were exceptional and acceptable.
Satisfactory	The control environment has mainly operated as intended although errors have been detected that should have been prevented / mitigated.
Limited	The control environment has not operated as intended. Significant errors have been detected and/or compliance levels unacceptable.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse. The system of control is essentially absent.

Organisational Impact	
Level	Definitions

Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Specifically for Grant certifications, definitions are used are as follows:

Opinion for Grant Certifications	
Level	Definitions
Assurance Given	The claim as certified was found to be in compliance with the grant conditions, subject to any observations reported.
No Assurance given	The claim was not certified as it was found to be not in compliance with the grant conditions.

* Audit progress is measured within several stages

- Unstarted
- Planning ToR
- Fieldwork in Progress
- Fieldwork complete
- Draft Report
- Final Report

Progress is assessed as a percentage of the whole audit



ANNEX B

Progress as at 31st December 2021

	Assignment	Audit Status	Completion %	Assurance System/ compliance
Plan 2020/21 brought forward				
20/21 bfwd	Pensions Review	Final Report Issued	100%	Substantial Good
20/21 bfwd	General Ledger	Final Report Issued	100%	Good Satisfactory
20/21 bfwd	Bank Reconciliation	Final Report Issued	100%	Good Good
Plan 2021/22 -Q1				
	Government Procurement Card	Final Report issued	100%	Satisfactory N/A
	Key Policies and Procedures	Final Report issued	100%	Satisfactory N/A
	Consolidation of key records	Final Report issued	100%	Satisfactory N/A
	Establishment checks	Final Report Issued	100%	Satisfactory Satisfactory
	Legacy Bank Accounts	Final Report Issued	100%	Satisfactory Satisfactory
	ERP IT users access controls	Final Report Issued	100%	Good Good
	Payroll	Final Report Issued	100%	Good Satisfactory
	General Ledger	Final Report Issued	100%	Satisfactory
	Bank Reconciliations	Final Report Issued	100%	Satisfactory Satisfactory
	Treasury Management	Final Report Issued	100	Satisfactory Satisfactory
	Business Grants (post payment review)	Draft Note Issued	90%	N/A
	Accounts Payable	Draft Report Issued	90%	Good/Good
	Year end Accruals	Fieldwork Complete	80%	
	Accounts Receivable – Debt management (Legacy Debt)	Fieldwork Complete	80%	
	Income (including wrong bank account payments)	Fieldwork in Progress – testing is on going	70%	
Plan 2021/22 -Q2				
	Financial Decisions (scheme of delegations)	Final Report	100%	Good
	Planning Applications Process	Draft Report	90%	
	Grant Verification – Disable Facility Grants	Complete	100%	N/A



	Assignment	Audit Status	Completion %	Assurance System/ compliance
	Grant verification -Additional Home to School and College Transport	Fieldwork in progress	30%	
	Grant verification -Local Transport Capital Block Funding	Fieldwork in progress	30%	
	Grant Verification -Travel Demand Management	Fieldwork in progress	30%	
	Safeguarding vulnerable Adults	Planning	10%	
	Housing - Social Lettings	Planning	10%	
	NPH Contract Monitoring	Planning	10%	
	Council Tax	Planning	10%	
	NNDR	Planning	10%	
	Grant verification-Covid-19 Bus Service Support Grant Restart	In progress	50%	
	Grant Verification -Local Authority Bus Subsidy Grant	In Progress	40%	
	Information Governance	In progress	50%	
	Legacy Debt	Migration project in progress	0%	
	Health and Safety	Planning	20%	
Plan 2021/22 -Q3				
	IT Disaster Recovery	Fieldwork in progress	40%	
	Financial Management - Budget Monitoring	Planning - Tor	10%	
	Schools SFVS/questionnaire	In progress	50%	
	Taxi Licensing	Planning - Tor	5%	
	Home to School Transport	Planning -Tor	5%	
	WNC/NNC Partnership Liaising/monitoring	Planning -Tor	5%	
	Contract Management - Residential Placements	Postponed		
Plan 2021/22 -Q4				
	Contract Management - Highways	Allocated		
	Performance Management Framework	Allocated		
	Adult Social Care Need Assessments	Allocated		
	Financial Management - MTFP	Allocated		
	Transformation from Safe and Legal to BAU	Allocated		
	Housing and Council Tax Benefit	Allocated		



	Assignment	Audit Status	Completion %	Assurance System/ compliance
	Procurement contract management	Allocated		
	Contract Management - Parking	Allocated		
	Leisure Services Establishment management	Allocated		
	Children's Trust Service Delivery Contract Monitoring	Allocated		
	IT Systems security – access rights and password configuration management	Allocated		
	Emergency Planning	Allocated		
	Asset/Property Management (incl inventories)	Allocated		
	Pension Fund Review	Allocated		
	Payroll Transactional Testing	Allocated		

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WNC Directorate	Audit	Findings	Recommended Actions	Responsible Officer	Category	Revised Date	Status Update comment - December 2021	
NCC	Finance	Accounts Payable	Manual upload process Analysis highlighted that a significant number of manual upload spreadsheets have been submitted overall without an approved business case in place that outlines why the manual upload process is appropriate or necessary.	Accounts Payable to develop a business case that can be used to outline the case for services/continuing to use manual upload spreadsheets. Each service submitting manual upload spreadsheets contacted and required to complete the business case. AP management to review each case for purchasing controls and efficiency within AP and the impact on each service. Any service where the business case is rejected could be given a documented grace period while they put new operational processes in place.	Head of Finance Operations	Important		Implemented
NCC	Finance	Accounts Payable	Non-commercial supplier set up A supplier was set up as a non-commercial supplier without legitimate reason. The supplier was already set up on ERP Gold as a commercial supplier.	New supplier create process amended to ensure that any request to set up a new supplier includes a check whether the supplier already exists as a different type of supplier on the system. If found to be the case: • AP Team should challenge the request and require the requesting service to provide a written explanation of why the same organisation needs to be set up as two separate supplier types. • The request should be reviewed by an AP manager and only set up in ERP Gold where the manager is satisfied there is a legitimate need.	Head of Finance Operations	Important		Implemented
NCC	Finance	Accounts Payable	Duplicated supplier on ERP Virgin Media Ltd was set up as separate suppliers in ERP Gold – 8 times as a commercial supplier, twice as a non-commercial supplier and once as a commercial that was configured for non-invoice payments.	A review of Virgin Media Ltd suppliers in ERP gold undertaken to reduce the number of suppliers for that company and ensuring that the instances where Virgin Media Ltd is set up for non-commercial payments are either deleted or disabled.	Head of Finance Operations	Important	31st March 2022	A Duplicate Suppliers report is now available in ERP to identify suppliers with duplicate payment sites. In addition to the BAU processes above, an exercise will be undertaken specifically to review the Virgin Media Ltd suppliers but this has been delayed due to the high priority work on embedding systems at the new Northamptonshire IAs, including supplier data migration work which has had a significant impact on the Supplier Maintenance Teams resources. This action has also been delayed as any open orders on the relevant supplier records need to be reviewed and closed in advance. (this finding only related to CCC so n/a for NCC as was).
NCC	Finance	Accounts Payable	Commercial and non-commercial company set up A company was set up as multiple non-commercial and commercial suppliers.	Review of suppliers in ERP undertaken to identify any further instances where the same company is set up as both a commercial and non-commercial supplier. Each case reviewed to establish if the existence as both supplier types is appropriate and if not it should be determined which supplier instances should be deleted or disabled.	Head of Finance Operations	Important	31st March 2022	To mitigate this risk the New Supplier Request form advises the user to check that a supplier record does not exist in ERP and the Suppliers team is required to complete further checks to prevent duplicate supplier records being set up in ERP. A Duplicate Suppliers report is now available in ERP to identify suppliers with duplicate payment sites and this will be used to undertake an exercise to identify and review any existing suppliers that are set up as both commercial and non-commercial types. This this has been delayed due to the high priority work on embedding systems at the new Northamptonshire IAs, including supplier data migration work which has had a significant impact on the Supplier Maintenance Teams resources. This action has also been delayed as any open orders on the relevant supplier records need to be reviewed and closed in advance. This is a significant piece of work that requires considerable resource to review supplier databases. Due to Future Northants and the additional suppliers that were migrated this has increased the scope and volume of work required and linked to the work in the above action.
NCC	Finance	Accounts Payable	Bank details Sample testing identified in 24 cases, the bank detail change was not recorded on the AP supplier amendment spreadsheet. As a result there was no record of the nature of the checks undertaken and that the supplier bank detail amendment process had been fully complied with.	Supplier bank detail amendment procedures updated to include a weekly reconciliation between the supplier amendment spreadsheet and the ERP gold report of all supplier bank detail changes. To identify instances where verification checks as required by procedures may not have been undertaken/recorded allowing for remedial action to be taken.	Head of Finance Operations	Important		Implemented
NCC	Finance	Debt Recovery	Aged Debt review There are no regular reviews regarding aged debt or debt that is close to 12 months old, nor documented controls to manage it.	An exercise undertaken to review all debt over 12 months old. Aim is to halt rising aged debt levels and reducing existing aged debt. The review to include: • An examination of causal factors behind aged debts • Identifying process amendments to address any causal factors identified • An examination of each customer aged debt to determine: • Whether action from the service who raised the invoice is required • What recovery activity should be undertaken • Whether the debt is considered unrecoverable and should be written off.	Head of Finance Operations	Essential	31st March 2022	The Debt Service has developed a Draft Improvement Plan which will be continually updated to ensure priorities are recognised and delivered. This will involve changes to service processes and will require gradual and evolving work over time. In line with this approach, the points in the recommendation are primarily being addressed by the implementation of new BAU processes. However, the Head of Service has confirmed that they have now also commenced a review of debts over 12 months old to establish the next steps in relation to each customer. A bid for additional resources is currently being prepared to assist with this. Aged debt reports are now reviewed on a regular basis as part of BAU. These reports are provided to budget holders so they can consider potential unrecoverable debts for write off approval, and take action where debts are in dispute. Write off approvals/processing is now done through ERP workflow processes to ensure review and authorisation is directed to the appropriate budget holder. Service Review meetings have been implemented with services, including Adult Social Care. Meetings include the sharing of granular data and categorising debt by complaint code, age, and service, to enable targeted communication and actions. The sharing of the data is allowing closer working with Finance Business Partners, who in turn are working with Budget Holders to support debt recovery and any further action required. Debt improvement groups have been implemented to work with services, including ASC, to establish debt principles for recovery, and Debt Portfolios have been implemented and assigned to recovery officers to support a more focused, structured, and targeted approach to active debt recovery. In addition, the Head of Service has confirmed she will be reporting directly to Committee on a regular basis, providing updates on service improvement and activity.
NCC	Finance	Debt Recovery	Aged Debt review There are no regular reviews regarding aged debt or debt that is close to 12 months old, nor documented controls to manage it.	Report developed in ERP Gold to identify any debts that will become over 12 months old within the next 30 days. To be run on a monthly basis to enable a targeted review of these customer accounts to determine whether any action can be taken to deal with the debt at that stage. Reviews to operate as a fringe meeting for Debt Recovery Management review of action undertaken, and whether that action was timely and compliant. To highlight any specific customer issues and potential instances of non-compliance with procedures that could then be addressed.	Head of Finance Operations	Important		Implemented
NCC	Finance	Debt Recovery	Debt Collection Agencies DCAs have not been used consistently since recovery activity resumed.	Referrals to DCAs undertaken on a monthly basis to ensure this key recovery activity is undertaken on a timely basis.	Head of Finance Operations	Important		Implemented (new contract with a DCA now in place also).
NCC	Finance	Debt Recovery	Unapplied payments Unapplied payments sitting on customer accounts but not applied to specific invoices show as outstanding debts. This is a particular problem regarding NHS CCG debt.	Debt Service to meet with Corporate Finance to agree a target date for when the CCG account will be reconciled and hold regular meetings to monitor progress.	Head of Finance Operations	Important	31st March 2022	CCG is now discussed in the monthly Service Review meetings that have been implemented. A reconciliation of the CCG debt will become part of standard BAU processes. CCG accounts have been streamlined and Finance are liaising with budget holders to ascertain any potential billing issues that may be impacting this area. High level discussions are ongoing between Finance, including the SSS Officer, and CCG on this matter and work is being undertaken to reach a settlement for previous years debt balances. (this finding only related to CCC so n/a for NCC as was).
NCC	Finance	Debt Recovery	Unapplied payments Unapplied payments sitting on customer accounts but not applied to specific invoices show as outstanding debts. This is a particular problem regarding NHS CCG debt.	Debt Service review of the CCG account (with particular regard for invoicing/payment processes) in conjunction with Corporate Finance and the Income Processing Team to establish the root causes of the problem's that have led to the current position of the CCG account and put measures in place to ensure this does not happen in the future.	Head of Finance Operations	Important	31st March 2022	CCG is now discussed in the monthly Service Review meetings. Some of the original Debt problem stemmed from the implementation of ERP where payments were allocated on an oldest first approach. This has particularly caused issues on the CCG accounts due to the sheer volume of invoicing, and part payments made by the CCG. A new CCG Account has been set-up to help address the problem going forward. Corporate Finance and The Adults Finance Team are working with the NHS to solve issues with way the NHS's third party provider reference remittance advice notes and processes have been put in place which should improve the application of payments to invoices. (this finding only related to CCC so n/a for NCC as was).
NCC	Finance	Debt Recovery	Debt Recovery practice guidance Current practice guidance is not consistent or detailed enough to govern effective debt recovery activity across all three clients.	Detailed best practice procedures developed, communicated, and embedded to govern effective debt recovery activity across all three clients. Best practice procedures continually assessed to ensure they are proportionate, efficient, and effective. The procedures should be documented and cover: • Recovery activities and associated timescales (including timescales for DCAs to recover debts and timescales for sending back to the client if debts are not recovered) • Guidance on how to undertake recovery activities • How activity should be evidenced and recorded to maintain complete and consistent case notes • All recovery strategies and guidance on decision making, specifically on criteria for unrecoverable debt • Procedures in relation to dealing with services over disputed debt/debt managed outside of the debt teams • Write off processes • How debts are allocated to Recovery Officers and how these should be prioritized • How ERP Gold workflows and functionality will be best utilised • Use of complaint codes • Deceased cases recovery processes	Head of Finance Operations	Important	31st January 2022	This has been delayed due to covid/and other priorities. The Service has developed a Service Improvement Plan which is continually being updated. This includes introducing and embedding a new portfolio process. The introduction of new documented best practice procedures will be developed and finalised in line with the implementation of processes in the Service Improvement Plan and once the portfolio process has been embedded. A revised income policy has been drafted which is due to be reviewed internally and then circulated to Finance Business Partners for review. Following approval, we can update local guidance notes for the debt team.
NCC	Finance	Debt Recovery	Performance targets There are no targets or performance measures in place.	KPIs and targets for debt recovery to be introduced. High level targets should be agreed with clients at a senior level, and KPIs and performance measures should be introduced within debt teams for DR Officers.	Head of Finance Operations	Important	30th April 2022	A new debt portfolio process is to be introduced imminently which will ensure individual debt recovery officer's priorities are outlined based on a number of factors including the value and debt age and value. This change means that introducing individual targets at this stage could mean they are unrealistic so it has been decided to review performance data once the new portfolio process has been embedded so that targets to drive team and individual performance can be based on BAU data. Further discussion are going to be held during Q3 with Lead Authority Board members as to the agreement of the new KPIs.
NCC	Finance	Debt Recovery	Bad Debt provisions Significant levels of aged debt in excess of bad debt provisions noted.	The bad debt provisions at CCC and NCC to be reviewed and discussed with the Heads of Finance to provide assurance that current bad debt provisions are adequate. If these reviews determine bad debt provisions are not sufficient then they should be amended and agreed with the Heads of Finance.	Head of Finance Operations	Important		Implemented
NCC	Finance	Contract Register	Real Time/Retrospective Checks Despite the fact that functionality exists for real time checks, checks on requisitions where 'no contract' has been selected are retrospective and do not stop requisitions being approved and orders being issued.	To review the decision to undertake retrospective rather than reactive checks as part of the move to the new unitary authorities to ensure this takes accounts the new authorities risk appetite.	Head of Procurement Services	Important		Implemented

NCC	Finance	Contract Register	Procurement Checks – Reporting No reporting currently takes place of the outcome of checks undertaken to ensure purchases made through ERP Gold are linked to a Council contract.	To develop appropriate reporting arrangements within the two new unitary authorities to provide assurance that purchases made through ERP Gold are linked to a Council contract.	Head of Procurement Services	Important		Implemented
NCC	Finance	Spreadsheet Import Payments	Control over Spreadsheet Import Payment Files The use of SIPF appears to be based on a long standing practice in that looking at the areas using this process, they have all been using SIPF for a number of a number of years. For these services / departments, there was no evidence of who approved the decision for these services to be "exempt" from using ERP Gold or that a review was undertaken around such arrangements as part of the implementation of ERP Gold in April 2018.	To develop a procedure covering requests to use a SIPF and ensure that: <ul style="list-style-type: none">A template business case is developed to support the justification for why ERP Gold cannot be used by the relevant department.All business cases are subject to consideration by Accounts Payable to assess the justification provided.A recommendation is made by Accounts Payable to support the decision by the Executive Director of Finance as to the best way forward (i.e. continue to use ERP Gold, SIPF, direct coding of invoices).	Chief Internal Auditor	Essential	To be confirmed	A high level project was to be set up early in 2021, to agree an approved list of 'exempted' services / departments who can use a Spreadsheet Import Payment files - SIPF (or other alternatives) instead of ERP Gold. Project was to be led by NCC Finance, Accounts Payable with Internal Audit providing independent controls review. With disaggregation of the Council, it is currently unclear who has ownership of the project. Discussions to be held with Assistant Finance Directors.
NCC	Finance	Spreadsheet Import Payments	Current use of SIPF Analysis has highlighted that the use of SIPF is significantly higher when compared with other LGSS Councils although all the Councils use ERP Gold and the nature of services provided are similar. An assessment of the rationale behind departments using SIPF by Internal Audit and Accounts Payable found that in a number of some cases (i.e. those processing invoices and non-commercial payments) (a) the reasoning did not stand up to scrutiny and (b) functionality within ERP Gold was considered more appropriate than the use of SIPF.	To undertake a review of all areas that currently use SIPF to assess whether ERP Gold (or SIPF) is the most appropriate mechanism to process spend. As an outcome, to agree an approved list of 'exempted' services / departments who can use a SIPF instead of ERP Gold.	Chief Internal Auditor	Essential	To be Confirmed	A high level project was to be set up early in 2021, to agree an approved list of 'exempted' services / departments who can use a Spreadsheet Import Payment files - SIPF (or other alternatives) instead of ERP Gold. Project was to be led by NCC Finance, Accounts Payable with Internal Audit providing independent controls review. With disaggregation of the Council, it is currently unclear who has ownership of the project. Discussions to be held with Assistant Finance Directors.
NCC	Finance	Spreadsheet Import Payments	Procedural arrangements covering areas using SIPF Local practices spend / payments review highlighted the following: <ul style="list-style-type: none">The Council's approach to who can approve / authorise spend in ERP Gold is not applied across those areas using SIPF. Within ERP Gold, purchases are approved by a smaller number of senior management at Head of Service or above whereas testing of SIPF found the service / department decides who can approve such spend and we found instances where purchases had been approved by officers at a more junior level than Head of Service.Inconsistencies in the level of checks undertaken by services on the completeness and accuracy of data included in the SIPF and no records were maintained to provide evidence of checks carried out.	To look at arrangements to gain assurance that spend / payments are being administered in line with procedural guidance.	Chief Internal Auditor	Essential	To be confirmed	A high level project was to be set up early in 2021, to agree an approved list of 'exempted' services / departments who can use a Spreadsheet Import Payment files - SIPF (or other alternatives) instead of ERP Gold. Project was to be led by NCC Finance, Accounts Payable with Internal Audit providing independent controls review. With disaggregation of the Council, it is currently unclear who has ownership of the project. Discussions to be held with Assistant Finance Directors.
NCC	Finance	Pensions	Annual Validation Check At the year end, a validation check is undertaken to ensure all data is correct. At the time of reporting, 2,884 queries relating to 2019-20 had not yet been resolved. Of these 2,604 are waiting for further information from the employer before these can be actioned. It has been acknowledged that resources have been prioritised on other work which has contributed to the work not yet being completed.	To develop a plan of action to resolve the outstanding queries and ensure there is a mechanism in place to prevent the build up of queries going forward.	Head of Pensions / Projects & Systems Manager	Important	31st March 2022	This end of year process is completed after March employer data is received and is appropriately scheduled alongside other Fund activities. The volume of queries is dependent on the quality of membership data received. If the work is scheduled late in the scheme year it may still be incomplete at the time of the internal audit work. As at December 2021 only 60 out of the initial 2,884 FTE Pay queries are still under investigation – these will be closed by 31 March 2022 (no updated data is provided).
NCC	Finance	Pensions	Transfer In – Independent Check Based on testing, we identified five transfer calculations that were not subject to independent review. We were advised that working practice is that where an experienced administrator undertakes the calculation of the transfer value, no independent check is required for cases up to £10,000. This is not consistent with procedures and no evidence was provided as to who agreed not to follow procedures in such circumstances.	To review the current practices in light of the risk of error and align practices to approved procedures.	Head of Pensions / Operations and Technical Manager	Important		Implemented - independent checks were introduced across all benefit calculations in mid-July 2021.
NCC	Finance	General Ledger	Approval of changes to the Chart of Accounts - there is an up to date list of officers in Finance who can make such requests, but despite this, audit testing of 10 changes to the chart of accounts during 2020-21 found in three cases, changes were processed based on a request from a Finance Officer not on the approved list of officers.	Action is taken to ensure only requests to make changes to the chart of accounts are processed if they are requested by a designated approved officer.	Chief Internal Auditor	Important		Implemented - findings in the G/A audit completed in 2021 confirmed controls in place over chart of accounts were effective.
SNC	Finance	Disabled Facilities including Grant Certification		DFG Spend 2020/21. The spending plan for the remainder of the year should be kept under close review. Options to speed up the process of approving DFG claims and delivering the required works should be considered and reported to management for approval.	Private Sector Housing Manager	Important	Ongoing	Allocation 2021/22 £419,781 + additional £56,525. Slippage 407,867 giving total capital of £884,173. As of 30th November 2021 spent £199,068 and committed a further £216,348. Monthly spend and commitment against allocation reported monthly to Senior Leadership Team. Delivery is and is likely to continue to be affected by shortage of contractor availability and materials which is reflected nationally.
NCC	Adults	Direct Payments	Monitoring of invoices issued for unused monies The MAP Team currently do not track whether invoices have been paid for existing clients receiving a direct payment or consider other options to recover such monies if they remain unpaid.	To track unused monies invoices for payment and define action to be taken regarding ongoing direct payments for any that remain unpaid. Any process needs to be agreed with relevant social care managers.	Social Care Finance Operations Service Manager	Important	Ongoing	The service does not have resources in place to undertake this activity currently. This will be reviewed again post unitary and will consider the impact of prepayment cards on this issue.
NCC	Adults	Independent Care Spend	Timeliness of processing activity by the Brokerage Team Actioning on activity administered by the Brokerage Team highlighted that: <ul style="list-style-type: none">For seven out of 12 cases, reviewed, there was a delay (e.g. sourcing the need, arranging payment) in the setting up of new care packages.In respect of changes to care packages, whilst recent activity had been reviewed, these had not been passed to the MAP Team for action. Additionally, a backlog of 516 returns going back to September 2018 have not been reviewed.	Urgent action is taken to understand the cause of delays in activity processed by the Brokerage Team and to address the issue.	Assistant Director Adults Finance Operations	Essential	Ongoing	This is quite a broad action (basically 'fix brokerage'). Unfortunately, it's a difficult one to answer as they have had vacancies for some time and struggling to recruit to them. Similarly, there is a national shortage of care workers which is impeding their ability to broker in a timely manner.
NCC	Adults	Complaints	Ombudsman recommendation 'Single Complaints Statement' In line with the Ombudsman's recommendation in 2019 a 'Single Complaints Statement' has been drafted but had yet to be communicated across adult social care.	Draft complaints statement to be approved and rolled out across adult social care.	Complaints and Compliments Manager	Important	31st March 2022	This was shared as best practise rather than an instructed recommendation. A single complaints statement is drafted, but will need to be revised now that the Customer Engagement Strategy for West Northants has been signed off - as we would like to use the single complaints statement as a Council wide service standard. This will need to be discussed with ELT via the Head of Customer Services - Luiza Morris-Warren.
NCC	Adults	Complaints	Written Response timescale Complaints and Compliments Procedure states a reasonable timeframe will be agreed to investigate complaints but a working practice of a 20-day response is agreed in the acknowledgement for all complaints received. <ul style="list-style-type: none">It is unclear (a) why the Council has moved from a negotiated to fixed timescale to responding to all complaints in Adult Social Care and (b) why 20 days has been selected as a standard.The procedure defines an expectation to complainants that they will be contacted by the Council to agree a timescale for responding when this is not the case.	Management to review the rationale in applying a standard 20-day target for responding to complaint instead of the currently flexibility reflected in the adult social care complaint procedure. If required, as part of the next review of the procedure, to ensure this is aligned to current working practice around the target date for providing a written response.	Complaints and Compliments Manager	Important		Implemented - under the unitary set up it has been confirmed that the West has not fundamentally changed the approach to complaints. Outstanding complaints from the sovereign Councils are being managed through a single agreed complaints procedure and a monthly performance return from their different systems for recording and monitoring complaints. The directorate complaints lead works closely with the corporate team. There has been a significant improvement in relation to timescale compliance and this is monitored monthly through the SLT scorecard review. There is also a weekly complaints report.
NCC	Adults	Complaints	Performance reports and 20 day response target Despite some improvements there are concerns identified around the accuracy of performance reports through testing on recent dashboard reports. <ul style="list-style-type: none">Although analysis did not identify any complaints where the Council inaccurately reported that it had met targets, there were some concerns over the accuracy of some supporting data used to assess performance.Whilst the primary focus of work was on Adult Social Care performance, there were some obvious errors with recent data around corporate complaints.	To undertake a review of how performance is assessed and reported taking account of the concerns identified by internal audits.	Complaints and Compliments Manager	Important		Implemented - under the unitary set up it has been confirmed that the West has not fundamentally changed the approach to complaints. Outstanding complaints from the sovereign Councils are being managed through a single agreed complaints procedure and a monthly performance return from their different systems for recording and monitoring complaints. The directorate complaints lead works closely with the corporate team. There has been a significant improvement in relation to timescale compliance and this is monitored monthly through the SLT scorecard review. There is also a weekly complaints report.
NCC	Adults	Complaints	Annual Report There is no evidence that the statutory annual reports have been routinely produced and the 2019-20 annual report had not yet been presented to senior officers or members for consideration.	To issue the 2018-19 annual report for consideration by senior officers or members for consideration.	Complaints and Compliments Manager	Important	30-Jun-22	Data is available for this period. Annual report for the new authority will be produced by June 2022 and will include yearly comparative data for Adult services.

NCC	CS	Payments to Early Years Providers	Validating the accuracy of claims made Currently, the only checks made on claims made is around validation of the claim's record. No defined audit / compliance programme exists to validate the accuracy of claims submitted by providers.	To develop a risk based programme of audits / compliance reviews covering payments to early years providers. Internal Audits are happy to support this process in any way required of the service / directorate.	Chief Operating Officer and Deputy Director with the HR Director	Important	To be confirmed	Progress as at February 2021-Risk Register completed for all funded providers. Those rag rated 'red' are sampled and checked prior to payments being made. New Business Develop Advisor roles (2 x FTE) created as part of service restructure, role will include audit and compliance of PVI settings to ensure statutory and NCC compliance. These posts have not yet been appointed to.
NCC	CS	Statutory Responsibility for Schools	Overarching document supporting responsibilities for schools The Council defines its responsibilities for schools in various strategy, policy and procedural documents. Whilst this approach is not uncommon when compared with other local authorities, we did find an example where a single document has been used by a Council to define its statutory responsibility for schools. From an audit perspective, a single document provides clarity to stakeholders rather than having to search through various documents.	To formally define the Council's responsibilities for schools in a single document including reference to key policies and procedures as well as the departments / services that lead on such responsibilities.	Strategic Manager for Northampton Schools	Important	To be confirmed	Progress as at Feb 2021 -An overarching document that defines the Council's responsibilities for schools has been drafted and this will now be shared with relevant officers to check that it is complete and accurate.
NCC	CS	Statutory Responsibility for Schools	School Premises There is no document which sets out the Council's and school's responsibility for premises. Whilst there is a reliance on schools to take appropriate actions to manage the risks associated with premises, there has been little oversight by the Council to gain assurance that its responsibility is being discharged by schools.	An exercise will be undertaken to establish responsibilities between the Council (i.e. Children First Northamptonshire and the Place Directorate) and schools.	Capital Programme Manager - School / Head of Estates and Facilities	Important	To be confirmed	Progress at Feb 2021 - Conversations have taken place with the Head of Estates surrounding an update to a previously used (but very out of date) document that had previously been used for this purpose. With the impact of Covid and the Unitary split, little progress has been made to date and it is unlikely that this will be progressed before the end of March.
NCC	CS	Statutory Responsibility for Schools	HR - Employment of Teacher and Staff This area is complicated in that schools do not have to buy the service from LGSS HR and can buy this service from an external HR provider. As a result, there is a lack of clarity around: <ul style="list-style-type: none">The roles and responsibilities for LGSS HR and the third party where the school decides to buy a HR service from an external provider.How the Council gains assurance from the school / external provider that all its HR responsibilities have been effectively discharged.	An exercise will be undertaken to establish responsibilities between the Council (i.e. Children First Northamptonshire and LGSS HR) and schools.	Chief Operating Officer and Deputy Director with the HR Director	Important	To be confirmed	Progress at Feb 2021 - As a result of discussions between HR and Education, a draft Schools Statutory Duties Matrix has been produced defining statutory duties and responsibilities (i.e. school / Council). This is a significant exercise and work is still ongoing to ensure that all duties are identified and considered. However, other priorities including the Unitary project means that this work is unlikely to be completed by the end of March and will be picked up in the unitaries.
NCC	Corporate	IT Patch Management	The Council's Patching Policy v1.1 was last updated in October 2019 and therefore, it is due for a review.	Patching Policy. The Council's Patching Policy should be reviewed to ensure that its contents are up to date and provide appropriate guidance. The version control table within the document should be updated to reflect the date when this review was performed, and a schedule should be set for further review at least on an annual basis.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT Patch Management	Operational patching procedures and schedules are in the process of being reviewed and were not presented as evidence during our review.	The Council should ensure that the operational patching procedures and schedules are documented, with the buy-in of process stakeholders and fully aligned to the objectives outlined within the Council's patching policy (to be updated as per the previous recommendation).	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT Patch Management	Infrastructure Support team has no visibility and oversight of whether an application-level patch has been successfully deployed following notification of an available patch provided to the Application Support team.	Following notification by Infrastructure Support team that a patch is available for systems within their management, Application Support team should provide a confirmation that the patch(es) have been deployed, or reporting delay or failure should there be obstacles preventing deployment. Infrastructure Support team should maintain a register of patches that are provided to all IT teams and regularly perform a check and balance to ensure that they have confirmation of deployment. As a further level of checks, the Infrastructure Support team should periodically (monthly/quarterly) extract a report displaying the uptime/downtime of specific Application Servers following notification of patch availability to the Application Support team.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT Patch Management	Scheduled maintenance periods are not included as an essential part of the patch deployment process.	An agreed period of maintenance time should be provided where necessary during deployment of patches and aligned with the Council's Change Management process.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT Patch Management	Within the IT department, we found that the identification of a vulnerability may not always be performed by the same individuals who perform the remediation process. Therefore, it is essential that both executors are engaged in regular communications such as operational team meetings, and reporting is produced to monitor the number of vulnerabilities on an ongoing basis.	Regular meetings should be held by all stakeholders within the patch management and vulnerability management process. Reporting should be produced and communicated to all relevant stakeholders, detailing the current quota of vulnerabilities and defining what remediation activities are in place to reduce the number. Progress should be tracked and discussed at each meeting to identify dependencies and obstacles.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT Software Licensing	There are no documented policies or procedures to define the Council's management of software licensing. Additionally, there are currently two Level 2 Administrators who perform functions within the software licensing activity, however, we found that the roles and responsibilities are not documented.	Policies and procedures should be produced, outlining the Council's management system for IT Software Licensing, supported by appropriate procedures/working instructions defining how the policy will be adhered to. Consideration should be given to how the Council will manage varying lifecycles of licences, particularly those which are linked to external vendor contracts which may expire during the licences' validity period, as well as how preparations for subsequent licence audits will be managed, and how the consistency of the software licence inventory will be maintained. All roles and responsibilities regarding management of the Council's IT Software Licensing should be defined within the IT Software Licensing Policy to ensure there is a documented distinction of responsibility.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT Software Licensing	The Council's IT Asset Register is not regularly maintained. This was highlighted by a review performed by Service Management which identified potential discrepancies within the LANdesk system and the SNOW Configuration Management DataBase (CMDB).	A reconciliation exercise should take place to assess the Council's IT Asset Register, performing an internal investigation to validate the contents of the inventory, recording instances whereby discrepancies are found, which should be addressed as part of a concerted effort to ensure that the register is accurate. The LANdesk asset management software system is used to remotely inventory and manage IT assets. A report should be extracted on a regular basis and measured against the SNOW system to identify any discrepancies. If discrepancies are identified an action plan should be developed to address them and focus paid to subsequent months to ensure that the discrepancies are decreasing in number.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT Software Licensing	Weakness: No reviews are performed to identify if unlicensed software is utilised within the Council. However, we confirmed during this review that not only was a lack of licences identified during a PaC audit in 2015, but there is also a system (Communicate in Print) with 107 active user connections, but only 20 licences have been procured. Risk: If the Council utilises systems without first procuring the adequate number of licences it may be in breach of the agreement with the software provider, which could lead to excessive financial penalties.	In concert with the other reconciliation exercises recommended within this report and detailed below, a thorough examination of all licences in use should be conducted, with the results collated and assessed, and appropriate corrective action taken. Reconciliation Activities to include: • Validating contents of IT Asset Register • Identifying if software is in use for which an equal quota of licences has not been procured • Licence consolidation exercise to identify licences held by the Council and record expiry dates	Chief Information Officer	Important	To be confirmed	Being followed up

NCC	Corporate	IT Software Licensing	There are no reviews performed to demonstrate consolidation of available licenses or notify of an excess or shortfall in licenses. Software licence management is commonly included within an organisation's IT Strategy, particularly from a budgetary perspective. Reductions may be achieved via licence consolidation, or potentially moving from a per machine licence to a per seat licence if the number of users is significantly fewer than the number of machines in use within the organisation. Conversely, increases in costs may occur if, following a consolidation "true up" exercise, it is identified that there is a significant shortfall in system licences which may leave the organisation open to compromise. Whatever the strategic plan for licensing shall be, due to it being a sizeable area of expenditure, it should be viewed as an opportunity where savings can be made and should be tabled for discussion, or at the very least have an assessment of requirements performed. Risk: Without regular consolidation reviews being performed, the Council will have no view of its licensing estate, thereby losing sight of how many licences are c	Regular licensing consolidation audits should be performed to monitor and track licenses that may be due for expiry, and permit the appropriate action to be taken following notification. Reporting on the status of these reviews should be performed at least on a quarterly basis and shared with senior IT Management.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT Software Licensing	The IT Asset disposal process does not currently identify if the machine pending disposal has associated licenses which may be reused on another asset or returned to the licensing pool for potential decrease in licensing costs from the system provider.	The asset disposal process should be revised to include a stage where any licenses associated with the disposed asset can be reused. Reusable software licenses should join an available "pool" of licenses which should be utilised prior to the procurement of additional future licenses.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT Software Licensing	There are no published procedures for how licenses provided by third parties should be monitored and managed.	A process should be implemented to ensure that the Council's IT department is notified of all system/software licenses that are managed by external third parties, and these should be recorded in an appropriate repository and actively tracked throughout their life cycle.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT Software Licensing	Version Control is not enabled for any documented evidence (disposal of assets, the software approval process, and a demonstration of the receiving of IT hardware assets onsite) provided as part of this audit review. In conjunction with a lack of policies and procedures, this indicates that improvements should be made regarding maintenance of documentation in general. Also, to determine that the review cycle is adhered to, nor if the contents of the documentation have been revised from their original or previous content.	Management should ensure that all documentation – particularly that which undergoes annual review – is updated to include a version control table, noting when the document was created, who the owner is, if anything was changed since its last review, and the date for which it will be reviewed next. It is also prudent to deploy this method to all documentation, irrespective of whether it is scheduled for annual review.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT User Access Controls	Proactive reviews to identify user accounts that have not been deleted by way of the Council's leaver's process are not performed.	The Council's IT team should perform regular (quarterly) validation/reconciliation exercises to identify user accounts which have not been logged onto in excess of 90+ days. Following a validation exercise, necessary action should be taken to reduce risk, such as disabling or deleting the account.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT Password Policy	The Council does not provide adequate guidance for users on how to adopt secure network account logon passwords.	The Council's Acceptable Use Policy/Use of IT Policy should be revised to include effective user guidance on password integrity. As well as targeting new starters, this guidance should also be deployed to all current users using the most effective method of communication, such as through the IT intranet page or email newsletter.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Corporate	IT Password Policy	Periodic reviews of user account passwords are not performed to inform IT which users have weak or easy to guess passwords set on their logon accounts.	The Council should perform periodic (quarterly/bi-annual) reviews of Active Directory using available mechanisms to cross check user passwords against a database of millions of designated "weak or easy to guess" passwords.	Chief Information Officer	Important	To be confirmed	Being followed up
NBC	Corporate	2019/20 Cyber		Management should assess resource and time requirements for enabling authentication control for all wired access points to the corporate network. Progress should then be monitored internally by the Council's client manager.	Chief Information Officer	Important	To be confirmed	Being followed up
DOC	Corporate	IT Remote	Staff are allowed to use their own computer devices for work. However, there is no policy in place to ensure that the staff understand their responsibilities in relation to saving copies of Council data on personal computers, timely patching, antivirus updates and are committed to maintain data security associated with the usage of their own devices.	Bring Your Own Device policy be established.	Chief Information Officer	Important	To be confirmed	Being followed up
DOC	Corporate	IT Remote	Citrix virtual environment is used by staff to remotely connect to the Council applications and data but the Citrix environment is not isolated / protected from the operating systems on remote computers. This makes it possible for data to be moved from the council's secure network onto remote computers.	The Council to ensure that the Council data is prevented from being shared with the remote computers' operating system.	Chief Information Officer	Important	To be confirmed	Being followed up
DOC	Corporate	IT Remote	The security posture of devices connecting to the Council network is not verified. Therefore, insecure and vulnerable computers are able to use the council network.	The Council to ensure that only devices meeting approved security criteria are allowed to connect to its network.	Chief Information Officer	Important	To be confirmed	Being followed up
DOC	Corporate	IT Remote	Penetration testing has not been carried out which led to a lapse of Public Service Network certificate.	The Council to ensure that penetration testing is carried out to identify any network security vulnerabilities and the Public Service Network certificate is renewed.	Chief Information Officer	Important	To be confirmed	Being followed up
NCC	Place	Highways Service Contract (19-20)	Performance checks by the Contract Team Whilst we understand a range of activity is undertaken by the Contract Team to provide assurance over performance aspects of the contract, the assurance obtained from such work is limited by the fact that: • The scope of work is not defined in an agreed programme or based on consultation with key stakeholders. • With the exception of KPI checks, no evidence was provided to support work undertaken. • No information is reported to the Highways Board on such activity.	To develop an annual programme of performance checks to be carried out by the Contract Team in respect of the Highways Service Contract. Quarterly progress reports should be submitted to the Highways Board to monitor completion of the programme and to consider the findings from such work.	Head of Highways / Contract Team Leader	Essential	To be confirmed	Progress at Feb 2021 - An assessment has been undertaken to determine audit priorities for the current year (e.g. inspections, service treatments). The plan has been drafted and is just going through a quality assurance process before being commencing. Upon completion of a specific review, a report will be considered by the Management and Highways Boards.
NCC	Place	Highways Service Contract (19-20)	Lack of procedures supporting the work of the Contract Team There are no procedures covering the work that the Contract Team undertake.	Procedure notes supporting the work carried out by the Contract Team will be formally documented.	Contract Team Leader	Important	To be confirmed	Progress at Feb 2021 - These will be formally documented and tied into the annual audit programme once complete so that it is clear what checks the Team make and what is looked at by individual budget managers. Procedure for dealing with the financial aspects of the monthly fee statement are substantially written.
NCC	Place	Highways Service Contract (19-20)	Performance Deductions The KPI handbook states that an action plan should be produced to support the rectification of poor performance. We believe the requirement is excessive as it does not take account of the length of the performance failure or whether the cause of the performance was due to a one off issue / event. Our review found no instances where an action plan was included in reports to the various Boards.	To review the requirement in the KPI handbook around the need for an action plan for all instances of poor performance in light of the audit observations. To ensure the requirement of KierWSP to produce an action plan is complied with.	Head of Highways / Contract Team Leader	Important	To be confirmed	Progress at Feb 2021: The KPI Handbook for 2020/21 has been updated in terms of clarifying what issues will likely require an action plan to be produced. The guidance requires that that both KPI Owner and Counterpart should review all KPI's and that any one-off under performance issues not worthy of an action plan will be signed off by Contracts Team Leader and Head of Highways. All other under performing KPI's will need an action plan to be presented to Management & Highways Boards. The handbook is due to be formally approved in September.
NCC	Place	Highways Service Contract (19-20)	Waiver on Performance Deductions Decisions to waive performance deductions are being made by the Highways Board based on limited information.	To develop a template to support waiver requests to ensure sufficient information is provided to the Highways Board to allow an informed decision to be made.	Head of Highways / Contract Team Leader	Important	To be confirmed	Progress at Feb 2021 - There is a template being used to record decisions and relevant information. The template includes: the KPI reference; comments on Under Performance; full details of actions being taken, whether or not an exception is being requested and if yes full details of why one is being sought. The template also records details / reasoning of Management Board discussions as well as the recommendation (this may include asking for more information); and details / reasoning of the Highways Board in reaching a decision.
NCC	Place	Highways Service Contract (19-20)	Payment checks by the Contract Team Despite the fact that the key purpose of such checks should be to provide assurance that costs incurred can be agreed as actual costs, the current activity does not provide this assurance or could be viewed as an open book review.	To develop an annual programme of payments checks that contribute to gaining assurance that annual costs can be verified as actual costs. This should also consider other forms of assurance that could be used to support this process, i.e. Internal Audit verification of department for transport grants.	Contract Team Leader	Important	To be confirmed	Progress at Feb 2021 - This will be included in the annual programme of checks. Staff time and sub-contract payments are currently well documented and are used to verify actual cost. Work is ongoing concerning payroll costs including the impact of COVID-19. Such checks will be in addition to the annual reconciliation.
NBC	Place	2020/21 Licensing		Ensure that manual payments or exceptions/waivers for payments are supported by senior management written approvals. The arrangements should be placed into a Refund Policy which should be developed.	Licensing Team Leader	Important	31st March 2022	Staff have now been trained to raise invoices when taking ad-hoc payments that cannot be processed via online forms, thus reducing the number of manual payments. Invoices are raised using the corporate ERP Gold billing system that has full accountability and audit trails. We are gradually moving more functions to online applications with the requirement to pay at the time of application and further reducing the need for manual payments. A refund policy does still need to be developed. As part of the audit we did discuss ensuring that staff selected the appropriate option on iLapse to record the reason that an application was abandoned, rejected, or refused etc. and that would formulate part of the refund policy. Although an actual policy hasn't been written, staff have been briefed on selecting the correct reason and keeping an audit trail in the electronic document management system of the refund details.

NBC	Place	2020/21. Licensing		Continue to pursue with the Civica team about whether the platform can be improved to ensure that the payment screen is clearer to avoid refunds being needed.	Licensing Team Leader	Important	Pending Corporate Decisions	The payment issues with Civica have not been resolved, however staff have been trained to investigate any payment discrepancies. Now that we are a unitary authority there are now 2 different versions of Civica for taking payments, one being Websay and the other being Staffpay. New online forms for a number of processes have now moved across to Staffpay and to date there have not been any payment issues identified and this has reduced the number of refunds required. We are currently unsure if all licensing payments will move across to this portal, or if we will be moving to a completely new payment system. The majority of our online applications have now moved away from GOV.UK and onto a new WNC online firmstep forms. This has removed some of the payment issues that were identified as part of earlier audit report.
NBC	Place	2020/21. Licensing		Add in corporate process to reconcile payments to the Civica system to ensure all payments have been received – this should be done on at least a quarterly basis.	Licensing Team Leader	Important	Pending Corporate Decisions	This has not been developed and is pending further instructions if we will be moving to Staffpay.
NBC	Place	2020/21. Licensing		Ensure that guiding checklist are updated and followed by the Licensing team that includes the most frequent and important tips and guidelines when processing each application type.	Licensing Team Leader	Important	To be confirmed	To be followed up within 2021 audit
NBC	Place	2020/21. Licensing		Random spot checks on different application types should be conducted monthly to identify any missing or wrong supporting documents within applications and communicate them to the team as part of lessons learned	Licensing Team Leader	Important	31st January 2022	The Licensing Team Leader has undertaken the occasional spot checks, however now that she has moved into a new role it has not been possible for her to carry out this task. She will need to request that the new team leader picks up on this task.
NCC	Place	Contract Management - Cleaning	Performance Management Recent work has been undertaken to agree monthly contract reporting by SOLO and this is now in place. This is still work in progress and further work is required to agree the full range of information / evidence that will be used to oversee the performance on this contract.	To formalise the Council's approach to managing this contract through: • Continuing to review and developing the focus of monthly reports provided by SOLO. • To define Council arrangements for validating the performance by SOLO.	Facilities Manager	Important		Implemented.
NCC	Place	Contract Management - Cleaning	Assurance that services have been received Our review of the payment process highlighted that the Facilities Manager assumes that the planned activity has been completed unless he has information to the contrary.	Management to liaise with SOLO to look at options available to obtain evidence that agreed services have been provided.	Facilities Manager	Important		Implemented.
NCC	Place	Contract Management - Cleaning	Costs for each site A review of costs across all sites identified a number of variations in respect of hours being worked and different rates of pay across different sites. However, although these have been raised with SOLO, they have not been resolved yet.	To raise the issues with SOLO to understand these differences in order to determine whether the additional costs are reasonable. To incorporate a regular review into the contract management process to gain assurance over costs being charged.	Facilities Manager	Important		Implemented.

WNC Directorate	Audit	Findings	Recommended Actions	Responsible Officer	Category	Implementation Date	Revised Date	Status Update comment - Dec 2021
Finance	Government Procurement Cards (GPCs)	As part of unitary preparation, an exercise was undertaken to establish GPC need. We have been advised that the approach to this exercise was primarily based around establishing whether existing cardholders in sovereign Council still required a GPC going forward. The exercise resulted in access to restricted merchant categories being provided to a number of officers. Through this exercise, three team cards have been identified. The use of team cards is not reflected in procedures and it is also unclear around responsibilities as whilst an officer undertakes the duties of the cardholder, they do not have control over who makes purchases. No review has been undertaken by the Council of the cards allocated as part of this exercise.	A review of all card holders will be performed at mid-year to ascertain if the cards are still required. A report will be produced and reviewed to ascertain the appropriate use of purchasing categories, and restrictions will be applied as appropriate. As part of the review, we will determine what team cards are being utilised and a full investigation as to their use will be performed.	Assistant Director of Finance and Strategy	Important	Oct-21	To be confirmed	In progress - The initial distribution of GPC cards were managed via the Future Northants Project, where current cardholders were contacted to ascertain whether they required a card within the two new Unitaries to ensure safe and legal. For any new cards, they will only be issued following approval from the Service Assistant Director with oversight from the Deputy 151 Officer. Dormant cards (not used within six months) are reviewed on a bi-monthly basis. Given that the new cards were only issued in April 2021, this exercise has just commenced with the first review in December 2021. While the councils are still in stabilisation phase, Assistant Directors have been provided a list of all their card holders, financial limits and spend to date. This will ensure they have visibility of all their card holders financial limits and expenditure to date. They have been asked to review this information for appropriateness and any queries or concern are fed back to the Deputy 151 Officer. Once we have had a full year of activity, there will be a complete review of all GPC cards and expenditure.
Finance	Government Procurement Cards (GPCs)	Thirty-three cards still did not have an approving officer allocated to them so at this time any spend on these cards is not the subject of independent approval by a designated officer.	The GPC officer to provide a list of cards where there are no approving officers and appropriate action to be taken.	Head of Financial Operations / Assistant Director of Finance and Strategy	Important	Aug-21	To be confirmed	In progress - Following a review of cards with no approving officer, these have been escalated to the relevant Assistant Director, to ascertain who the reviewer should be. As of December there were ten cards remaining without an approver of which four have been subsequently cancelled.
Finance	Government Procurement Cards (GPCs)	Testing of GPC transactions found high levels of non-compliance with procedures in respect of purchases being reviewed and approved. Whilst testing only covered a short period of time in the early stages of the Council and the spend incurred is insignificant in value compared with the Council's budget for 2021-22, the level of non-compliance is significant and warrants close monitoring so that action can be taken if compliance levels do not improve. At the time of the audit, no formal monitoring arrangements have been agreed for GPC.	Monthly report to be sent to ELT, the Head of Finance Operations and the Assistant Director of Finance and Strategy, which details expenditure at transactional level by directorate, approver, etc which will highlight non-compliance.	Head of Financial Operations / Assistant Director of Finance and Strategy	Important	Aug-21		Implemented - The GPC Team send a monthly report is to the Deputy 151, Head of Finance Operations and the Executive support for circulation to the Leadership Team.
Corporate	Key Government Documents, Policies & Records	The requirement to produce a Code of Corporate Governance is included as part of a wider programme of work that still needs to be completed.	A completion target date should be set for drafting the Code of Corporate Governance and progress against this date monitored.	Director of Legal Services	Important	30-Nov-21		Implemented - Code of Corporate Governance completed.
Corporate	Key Government Documents, Policies & Records	Members of the ELT have all been required to complete a form to declare any relevant interests. It is understood that there are plans to roll this out to include all officers. The Assistant Chief Executive has agreed to confirm what the current situation is for the planned wider roll-out.	Ensure that the wider roll-out of the programme to require all officers to declare any interests they may have, including nil-returns, is delivered in accordance with a reasonable timetable.	Director of Legal Services	Important	31-Dec-21	To be confirmed	Being followed up
Finance	Key Government Documents, Policies & Records	There is a Procurement Best Practice Guide for staff, which was prepared prior to vesting day, that is to be used in conjunction with Contract Procedure Rules included in the Constitution. The guide makes reference to the fact that the Procurement Strategy is a related document, which the Head of Procurement confirmed is currently under development. The four months that have past since the Council's inception has allowed time for its culture and priorities to become clearer, which can now be reflected in the Procurement Strategy.	Ensure that sufficient resources are in place to develop and adopt the Procurement Strategy in accordance with a formally agreed timetable. The Procurement Best Practice Guide should be publicised across the Council and included on the intranet.	Head of Procurement	Important	30-Nov-21		Implemented - The strategy was approved and is on the internet and intranet. Policies have been in place since go live. Best Practice Guide and all other documents are updated since the audit so all of this should be complete.
Finance	Key Government Documents, Policies & Records	The legacy Councils' contract registers have been merged into one document, but this has yet to be placed on the WNC website. A significant amount of work has already taken place by the West Procurement Team to add missing contracts and data on the merged contract register, although this audit confirmed that this remains work in progress. The Head of Procurement outlined the following challenges that the team have had to overcome in the process to cleanse, merge and update the contract register: The register data received from the previous sovereign Councils was inconsistent in terms of number of fields and number of contracts with some councils having considerably less than others and sovereign service areas not being proactive in helping to fill in any gaps despite request to do so. Migration of register data to the ERP client in West (and North) caused problems, with data going in the wrong fields and contact names and departments not reflective of the new unitary models. Review by audit of the contract register highlighted some of the work still to be completed by the procurement team with examples noted of missing contract start, end and review dates, start/end dates that were clearly errors (e.g. in the 1930's), missing contact names and emails and missing contract descriptions.	Data recorded on the Contract Register should continue to be updated, cleansed and include all mandatory and recommended fields outlined in LGA guidance. The Contract Register should then be uploaded on the WNC website.	Head of Procurement	Important	30-Nov-21		Implemented - The Contracts Register is now on the WNC website. The register is linked to spend with more alerts and checks and resource in place to manage. Circa 900 contracts on WNC register.
Finance	Key Government Documents, Policies & Records	The Counter Fraud Strategy and the Annual Fraud & Corruption Plan are currently under development.	The Counter Fraud Strategy and the Annual Fraud & Corruption Plan should be developed an adopted in accordance with a formally agreed timetable.	Executive Director – Finance	Important	31-Mar-22		Not due for follow up
Finance	Key Government Documents, Policies & Records	The Strategic Finance Business Partner (Technical Services Team - Finance) confirmed that data will be collected from services as part of the year end process to produce the inventories note to the Statement of Accounts, with the expectation being that local inventory records are maintained in the relevant service areas.	The year-end process to collate information in respect of the inventories note in the accounts should include the requirement for service areas to submit inventory records to the finance team in order to confirm that they are complete and accurate.	Assistant Director – Accountancy	Important	31-Mar-22		Not due for follow up

Finance	Key Government Documents, Policies & Records	Action to merge asset registers from the predecessor bodies has been delayed until all the legacy Council 2019/20 and 2020/21 accounts have been audited (NCC and NBC 2019/20 & 2020/21; SNC & DDC 2020/21). NCC's assets need to be disaggregated between North and West. Each legacy authority in the West used a different system (SNC - CIPFA, NBC - Real Asset Management, DDC & NCC - spreadsheets). It is anticipated that legacy systems will continue to be operated during 2021/22, with a single system adopted during 2022/23. It is currently unclear whether any verification work took place on legacy Council fixed asset registers prior to transferring to the new Authority, or the extent of any such work to be undertaken in the preparation of the 2020 /21 draft statement of accounts for these Councils.	Ensure that maintenance of separate asset registers is subject to ongoing review by management to confirm appropriate controls continue to operate until such time as the asset registers are merged. Produce a formal timetable for amalgamating asset registers. Consider undertaking an asset verification exercise across the new Authority.	Assistant Director Assets and Environment and Assistant Director (Accountancy)	Important	31-Mar-22		Not due for follow up
Finance	Key Government Documents, Policies & Records	Work to agree structures and attach staff to posts is currently ongoing. Whilst it is understood that records of such amendments to the establishment list are being maintained, at the date of reporting Internal Audit had not received any documentation to test the process for making such amendments. It has not therefore been possible at this stage to provide independent confirmation that there is a fully documented management trail in place to demonstrate that changes to the establishment list are valid, accurate and authorised/reviewed. An audit later in the year would be more appropriate to allow time for the ongoing process to agree staffing structures and budgets to be completed. The ELT has agreed an approach to re-checking employee records for Right To Work and DBS clearance. There are no plans in place to re-check HR records from predecessor organisations for evidence of qualifications where job descriptions / person specifications require specific qualifications to be held.	Consideration should be given to including a review in the third or fourth quarter of the 2021/22 Internal Audit Plan to provide assurance on the process followed to agree staffing structures and budgets for each service area.	Chief Internal Auditor	Important	31-Mar-22		Not due for follow up
Corporate	Key Government Documents, Policies & Records	The development of HR policies has been split into three phases, with the first phase being those required from 1 st April 2021. At the time of audit, 18 different HR policies were provided to the auditor, all of which were available on the intranet. A list detailing 39 other policies to be developed in phases two and three was also provided.	Ensure that sufficient resources are in place to complete the phased production and implementation of the full suite of HR policies and procedures.	Assistant Director – Human Resources	Important	30-Nov-21	To be confirmed	Ongoing work in progress. Policy Listing provided by the AD to Audit. This clearly lists the 3 Phases of policy development - Phase 1 completed policies and Phases 2 & 3 outstanding ones and the stages of development of these.
Corporate	Key Government Documents, Policies & Records	The Partnership Register is currently being compiled to take account of the following: strategic partnerships; partnerships created by entities as identified in the Constitution (i.e. the Health & Well Being Board; the Children's Trust Joint Committee); other partnerships. The governance framework arrangements will be determined from the results of the exercise to compile the Partnership Register.	Target dates should be agreed for completion of the Partnership Register and the Partnership Governance Framework. Progress should be monitored to ensure achievement of the target dates.	Director of Transformation	Important	31-Dec-21	To be confirmed	Being followed up
Corporate	Key Government Documents, Policies & Records	The Compliments, Comments and Complaints Policy has been approved and is available on the WNC website. However, requested information on current performance relating to complaints being managed by various legacy Council teams was still awaited at the time of reporting.	Complaints performance information in respect of the legacy Councils should be included as part of the ongoing review and reporting process.	Assistant Director Customer Services	Important	31-Dec-21	To be confirmed	Being followed up
Corporate	Key Government Documents, Policies & Records	There are a number of ICT security related policies on the intranet (see section 3 for full list). With the exception of the Cookies Policy, all other policies have a review date of September 2021. There is not currently an overarching ICT Security Policy that draws together the various ICT security policies and allows officers to sign one document to confirm their compliance with its requirements.	Ensure that there are sufficient resources available to review and amend all existing ICT policies by the September 2021 deadline. Consider implementing an overarching ICT Security Policy that draws all existing requirements/guidance together and allows officers to sign up to one rather than multiple policies.	Chief Information Officer	Important	31-Mar-22		Not due for follow up
Deputy Chief Exec	Key Government Documents, Policies & Records	Development of a Communications Strategy is currently work in progress that is being driven by the recently approved Corporate Plan, aspirations of the political administration and the LGA peer review scheduled for late June 2021. In the meantime three media protocols have been produced.	A completion target date should be set for producing the Communications Strategy and progress against this target should be monitored.	Assistant Chief Executive	Important	31-Dec-21	To be confirmed	Being followed up
Deputy Chief Exec	Key Government Documents, Policies & Records	The Performance Management Framework is currently work in progress. A draft Service Planning Framework has been prepared that references the Corporate Plan and includes timetables for Service Plans / individual service targets. This will be updated following the recent approval of the Corporate Plan.	A completion target date should be set for producing the Performance Management Framework and progress against this target should be monitored.	Assistant Chief Executive	Important	30-Sep-21		Implemented - Performance Management Framework completed.

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Northampton Borough Council

Annual Audit Letter for the year
ended 31 March 2020

December 2021

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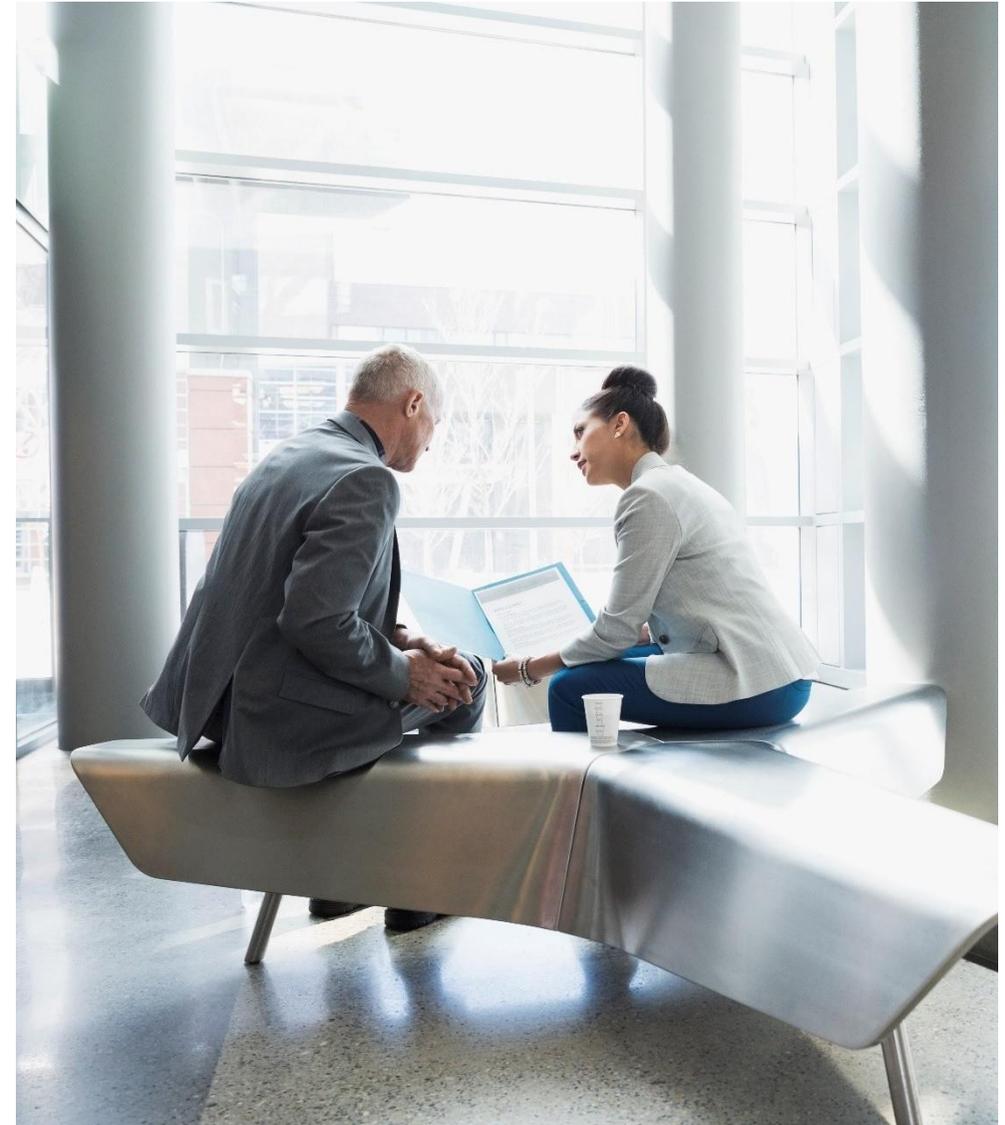
Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of Responsibilities and the Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



Section 1

Executive Summary

Executive Summary

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	
▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
▶ Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have not put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Whole of Government Accounts (WGA):	
▶ Reporting to the National Audit Office (NAO) on our review of the Council's WGA return	The Council falls below the thresholds at which the National Audit Office (NAO) request we perform detailed review of the Council's WGA return. We have reported this fact to the NAO, along with key facts about our audit, in line with the WGA auditor instructions issued by the NAO.

Executive Summary (continued)

As a result of the above we have:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our final Audit Results Report was issued on 25 November 2021.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 26 November 2021.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.

Section 2

Purpose and responsibilities

Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2019/20 Provisional Audit Results Report presented to the 29 September 2021 meeting of the Audit & Governance Committee of West Northamptonshire Council, as the successor body to Northampton Borough Council, representing those charged with governance. We issued our Final Audit Results Report, which provided an update on matters outstanding as of 29 September 2021, to those charged with governance on 25 November 2021.

We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Planning Report that we issued on 29 June 2021 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

We undertake any other work specified by the Code of Audit Practice or Public Sector Audit Appointments Limited (PSAA).

Responsibilities of the Council

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial statement audit

Financial statement audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 26 November 2021.

Our detailed findings were reported to the 29 September 2021 Audit & Governance Committee of West Northamptonshire Council, as the successor body to Northampton Borough Council.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition - Inappropriate capitalisation of expenditure</p> <p>Under ISA 240, there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>For the Council, we consider this risk most likely to manifest through incorrect capitalisation of amounts which should be charged to the Comprehensive Income and Expenditure Statement (CIES) as expenditure.</p>	<p>What we did:</p> <p>We tested a sample of capital grants and contributions to confirm that they have been recognised in accordance with agreed terms and conditions.</p> <p>We tested a sample of Revenue Expenditure Funded from Capital Under Statute (REFCUS) to confirm that it meets the criteria set down in governing regulations.</p> <p>We tested a sample of capital additions to confirm they meet the criteria for capitalisation set out in accounting standards.</p> <p>Our conclusions:</p> <p>Our testing of capital additions identified that storage costs for items relocated during renovation of the Northampton Museum and Art Gallery had been incorrectly capitalised as part of the museum asset. We have extrapolated this finding to quantify a most likely overstatement of capital additions and understatement of expenditure of £235k.</p> <p>Our testing has not identified any other misstatements arising from inappropriate capitalisation of expenditure, or other matters relating to this risk to bring to your attention.</p> <p>We are therefore able to conclude that the financial statements are not materially misstated as a result of inappropriate capitalisation of expenditure.</p>

Financial statement audit (continued)

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>The specific fraud risks identified relate to the inappropriate capitalisation of expenditure when considering revenue and expenditure recognition. Further details of our response to this risk are set out on the previous page.</p>	<p>What we did:</p> <p>We identified fraud risks during the planning stage of our audit;</p> <p>We enquired of management and those charged with governance about risks of fraud and the controls put in place to address those risks, and considered the effectiveness of those controls;</p> <p>We determined an appropriate strategy to address those identified risks of fraud; and</p> <p>We performed mandatory procedures regardless of specifically identified fraud risks, including:</p> <ul style="list-style-type: none">▶ testing of journal entries and other adjustments in the preparation of the financial statements;▶ assessing accounting estimates for evidence of management bias; and▶ evaluating the business rationale for significant unusual transactions. <p>Our conclusions:</p> <p>We challenged management on the evidence base for a significant increase in the NNDR appeals provision, where management could evidence an increase in the number of challenges raised during 2020-21 by ratepayers but not the extent to which they might ultimately result in successful appeals. Following our challenge, management have accepted there is not a sufficiently robust evidence base for the increase and reduced the NNDR appeals provision by £8.0m. The Council's share of this reduction was £3.2m, with the remainder attributable to other preceptors.</p> <p>Our testing has not identified any other misstatements arising from fraud or error, or other matters relating to this risk, to bring to your attention.</p>

Financial statement audit (continued)

Significant Risk	Conclusion
<p>Valuation of land and buildings, other than council dwellings</p> <p>Land and buildings are significant assets on the Council's Balance Sheet. The valuation of land and buildings is dependent upon a number of judgements and assumptions, small changes in which can have a significant impact upon the financial statements.</p> <p>For 2019/20, we exclude council dwellings from the scope of our risk as our work over council dwellings in the prior year found no issues and the Council has not changed the external valuer for council dwellings from the prior year.</p> <p>The valuation of non-current assets is performed by an external valuer and relies upon significant estimation and assumptions. We focus our work on the appropriateness of the valuer's work and the assumptions used to value non-current assets.</p>	<p>What we did:</p> <p>We considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. We used our own EY Real Estate valuation specialists to review a sample of valuations identified as higher risk.</p> <p>We sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).</p> <p>We considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for property, plant and equipment, and annually for investment property. We will also considered if there are any specific changes to assets that have occurred and whether these were communicated to the valuer.</p> <p>We reviewed assets that were not subject to valuation in 2019/20 to confirm the remaining asset base is not materially misstated.</p> <p>We tested the accounting entries relating to the valuation of non-current assets to ensure they had been correctly processed in the financial statements.</p> <p>We reviewed the financial statement disclosures to ensure that appropriate disclosure has been made in the financial statements concerning the material valuation uncertainty.</p> <p>Our conclusions</p> <p>Our testing of the valuation of the Council's land and buildings has identified a high number of misstatements. There were a number of different causes of these misstatements, however the most common cause was the Council's external valuer being provided with incorrect information about the asset (e.g. its size, the terms of existing tenancy arrangements or, in the case of car parks, the income and expenditure attributed by the Council to each car park).</p> <p>The net impact of these misstatements was to overstate property, plant and equipment by £2,520k and understate investment properties by £2,011k.</p> <p>Management have amended the financial statements for the larger individual misstatements, such that the net misstatement remaining within the final accounts is an overstatement of property, plant and equipment of £522k and an understatement of investment properties of £384k.</p> <p>Following audit feedback, management have included additional disclosures within the financial statements highlighting that valuations were provided on the basis of a 'material valuation uncertainty' due to the impacts of the pandemic on the real estate market. Our review of valuations to be used in the 2020/21 statements has not identified any significant movements after the reporting date which may indicate misstatement at the reporting date.</p>

Financial statement audit (continued)

Other Key Findings

Pension liability valuation

Accounting for the Authority's defined benefit pension scheme liabilities involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management specialists and the assumptions underlying fair value estimates.

Conclusion

What we did:

We liaised with the audit team of the Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Northamptonshire Borough Council. Note that the audit of the Pension Fund is also performed by EY.

We assessed the work of the Pension Fund actuary (Hymans Robertson), including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and review of this work by the EY actuarial team.

We reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to defined-benefit pensions.

Our conclusions:

We have identified that the Council's membership data at the time of the 2016 triennial scheme valuation, which was subsequently used to inform the valuation of scheme liabilities in the 2016-17, 2017-18 and 2018-19 accounts, incorrectly included individuals employed by Northamptonshire Partnership Homes. The prior year net pension liabilities were overstated by £16.6m as a result, therefore management have restated the prior period comparatives to correct this error in the prior year's disclosures. The financial statements also include additional disclosures explaining the reason for restatement.

For the current period, there was a corresponding overstatement of £16.6m of the actuarial gain recognised in other comprehensive income due to the misstatement of opening balances for the current year.

The net assets of the Pension Fund reported to us by the Pension Fund auditor differed from the net assets assumed by the Council's actuary due to timing differences on the reporting of returns for the final quarter of 2019/20. In addition, the Pension Fund auditor reported small misstatements within the Pension Fund's accounting records shared with the actuary. We have quantified the aggregate impact on the Council's net liability as an understatement of £181k.

We have no other matters to report in respect of this risk.

Financial statement audit (continued)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality for the Council's financial statements to be £2.2m, which was 1% of the gross expenditure on the provision of services per the draft financial statements. Note for the purposes of determining materiality we consider certain elements of financing and investment income, such as interest cost and return on plan assets for pensions, on a net basis whilst the financial statements present these amounts gross.</p> <p>We consider the gross expenditure on the provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.11m.</p>

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Section 4

Value for money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

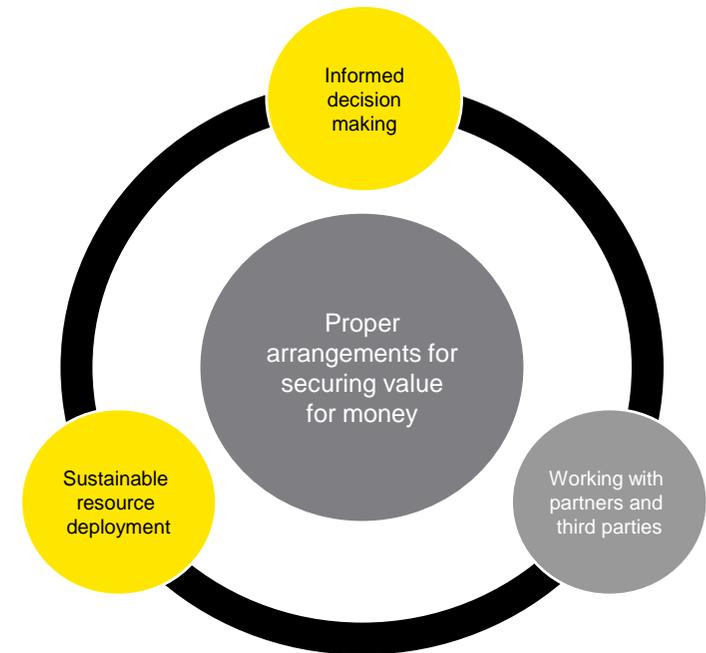
- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

We identified one significant risk in relation to these arrangements. The table below presents the findings of our work in response to the risk identified.

We have performed the procedures outlined in our audit plan.

We have the following matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources:

- ▶ We reported as part of our 2018/19 audit that management adopted a less formal approach to addressing the remaining actions of the Governance Action Plan, and formally closed the plan in September 2018 with several actions either outstanding or implemented in a manner which we were unable to conclude as embedded within the organisation. As a result, we were unable to conclude that the necessary improvements in governance and internal controls were fully embedded throughout the year ended 31 March 2019 and we issued a qualified VFM opinion. The Authority made only limited additional progress on these actions during 2019/20, therefore we remain unable to conclude that the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. As a result, we have again issued a qualified VFM opinion.



Value for Money (continued)

Significant Risk	Conclusion
<p>Governance Action Plan</p> <p>In December 2016, the Council established a Governance Action Plan to address weaknesses in Council processes identified by investigations into the awarding of the loan to Northampton Town Football Club.</p> <p>Our value for money opinion was qualified in 2018/19 as we were unable to evidence that the Governance Action Plan had been fully implemented and embedded during 2018/19.</p>	<p>We reported in our Audit Results Report for our audit of the year ended 31 March 2019 that management had continued during 2018/19 to build on the progress made against the Governance Action Plan in prior years, and formally closed the Governance Action Plan in September 2018. We also however noted that there were significant elements of the plan, most notably the development of a due diligence manual and a 'Licence to Practice Organisational Development and Training Plan', which had not been implemented at the point the Governance Action Plan was formally closed.</p> <p>Whilst management had taken steps towards the overall objectives of the outstanding elements of the Governance Action Plan, they did so in a more informal manner which meant they were not reflected in the formal policies and procedures of the Council and we were unable to conclude that these actions were fully embedded in the organisation.</p> <p>Our assessment of the Council's progress against the Governance Action Plan as part of our 2018/19 audit covered the period up to 31 March 2021, where we noted limited additional progress was made during 2019/20. We have confirmed through enquiries of management that steps taken by the Council during 2019/20 continued to be of a less formal nature. We also noted:</p> <ul style="list-style-type: none"> ▶ The development of a due diligence manual, which was initially paused pending a wider review of the Council's constitution which concluded in November 2018, was not completed prior to the dissolution of the Council in March 2021; and ▶ The scope of the 'Licence to Practice Organisational Development and Training Plan' was amended to reflect management's updated assessment of the training needs of members and officers, however it remained under development when the Council was dissolved on 31 March 2021. <p>We are therefore unable to conclude that the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. As a result, we have issued an adverse value for money opinion.</p>

Section 5

Other reporting issues

Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office (NAO) on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. The Council falls below the thresholds at which the National Audit Office (NAO) request we perform detailed review of the Council's WGA return. We have reported this fact to the NAO, along with key facts about our audit, in line with the WGA auditor instructions issued by the NAO.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public. We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response. We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit & Governance Committee of West Northamptonshire Council, as the successor body to Northampton Borough Council, on 29 September 2021. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Other Reporting Issues (continued)

Control Themes and Observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Due to the subsequent demise of the Authority, we have not raised formal recommendations in respect of our control observations however we wish to highlight the following matters which may be of interest to management of the successor West Northamptonshire Council:

- ▶ As described in section 3, we noted a number of issues with the valuation of non-current assets. A number of these issues could be traced to inaccuracies in the information used by the Council's external valuers to prepare the valuations of assets. We would therefore encourage management of the new authority to consider the controls in place within the new Authority to ensure that information provided to external valuers is accurate, and hence that the valuations received are appropriate; and
- ▶ We noted errors in the disclosure of future minimum lease commitments which occurred as a result of the Council's finance function not being informed where changes were agreed to the terms of the Council's lease agreements. From 2022/23, the new Authority will be required to adopt a new accounting standard, IFRS 16: Leases, which will require recognition of the Council's material operating lease commitments on the balance sheet. Controls to ensure the completeness and accuracy of lease information will be key to successful implementation of the new standard.

We reported the same observations as part of our 2018/19 audit, however we note that the draft Statement of Accounts for 2019/20 were produced prior to conclusion of our 2018/19 audit.

Section 6

Focused on your future

Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council's successor authority is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>Originally intended to be applicable for local authority accounts from the 2020/21 financial year, the adoption of the new standard has been deferred to avoid placing additional pressure on local authority finance teams during the Covid-19 pandemic. It is current proposed that IFRS 16 will be applicable for local authority accounts from the 2022/23 financial year.</p> <p>The main impact of the new standard is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset recognised on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as "pay as you go" arrangements, with rentals recognised as expenditure in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.</p> <p>For local authorities who lease a large number of assets the new standard will have a significant impact, with the majority of current leases likely to be included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2022/23 Accounting Code of Practice for Local Authorities will not be issued for some time yet, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the revised 2022/23 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the new unitary authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The authority must therefore ensure that all lease arrangements are fully documented.</p>

Section 7

Audit fees

Audit Fees

Our fee for 2019/20 is set out in the table below and is in-line with the amounts communicated in our Audit Planning Report and Audit Results Reports:

Description	Final Planned Fee 2019/20 £	Final Planned Fee 2018/19 £
Base Audit Fee - Code Work	62,197	62,197
Scale fee variation for additional audit work required	243,803	354,803
Total Audit Fee	306,000	417,000

We confirm we have not undertaken any non-audit work.

Notes:

- 1) We wrote to management and the Northampton Borough Council Audit Committee Chair on 10 February 2020 setting out our considerations on the sustainability of UK local public audit. Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice, are all shaping the future of local audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors. In continuing to respond to these factors we are required to seek higher levels of corroborative evidence, including increasing sample sizes and engage with our internal specialists more extensively and on a wider array of matters. Additionally, we need to continue to increase our investment in data analytics tools to allow us to test more transactions to a greater level of detail and enhance audit quality. To support the increasing regulatory focus, we have to continue to invest in our audit quality infrastructure; for example our compliance costs have doubled over the past five years.
- 2) Where we identified significant risks and other areas of audit focus as part of our 2018/19 and 2019/20 audits, as reported to those charged with governance, we undertook additional procedures to obtain the appropriate levels of evidence to support our opinion. In addition, we have encountered challenges completing our planned procedures during the 2019/20 audit due to the availability of supporting evidence and the limited number of individuals remaining within the Council with knowledge of balances and transactions, which has increased the amount of audit effort required to complete our procedures. This work was over and above that assumed in the scale fee.
- 3) We have held discussions with management in respect of our audit fees for 2018/19 and have submitted our proposals to Public Sector Audit Appointments (PSAA) and asked them to make a determination as to the additional fee to be charged. We will submit our proposed fee for 2019/20 to PSAA shortly.

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Northamptonshire County Council

Annual Audit Letter for the year
ended 31 March 2020

January 2022

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact professional institute.



Section 1

Executive Summary

Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's and Pension Fund's:	
▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2020 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
▶ Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have not put in place proper arrangements to secure value for money in your use of resources We reported in respect of: ▶ Ofsted findings for improvement in Children's Services; and ▶ Risk management arrangements.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	HM Treasury (HMT) have closed the 2019/20 data submission cycle and it is no longer possible for entities to submit their cycle 2 data. They are not putting in place alternative arrangements for 2019/20 data collection. The NAO will only expect to receive assurance statements going forwards where these relate to submissions made on or before the 17th of December 2021. We are waiting formal notification from HMT that this removes the audit responsibility to issue an assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our provisional detailed findings were reported to the 29 September 2021 Audit & Governance Committee of West Northamptonshire Council, as the successor body to Northamptonshire County Council. We issued our Final Audit Results Report, which provided an update on matters outstanding as of 29 September 2021, to those charged with governance on 19 November 2021.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	<p>We have not as yet issued our audit completion certificate.</p> <p>We cannot formally conclude the audit and issue an audit certificate until we have notification from HMT that we are no longer required to issue an assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.</p> <p>Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.</p>

We would like to take this opportunity to thank the Council and Pension Fund's staff for their assistance during the course of our work.



Janet Dawson
Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and Responsibilities



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2019/20 Provisional Audit Results Report presented to the 29 September 2021 meeting of the Audit & Governance Committee of West Northamptonshire Council, as the successor body to Northamptonshire County Council, representing those charged with governance. We issued our Final Audit Results Report, which provided an update on matters outstanding as of 29 September 2021, to those charged with governance on 19 November 2021.

We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued in July 2021 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 financial statements including the pension fund; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council and Pension Fund's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 22 November 2021.

Our provisional detailed findings were reported to the 29 September 2021 Audit & Governance Committee of West Northamptonshire Council, as the successor body to Northamptonshire County Council. We issued our Final Audit Results Report, which provided an update on matters outstanding as of 29 September 2021, to those charged with governance on 19 November 2021.

The key issues identified as part of our audit on Northamptonshire County Council were as follows:

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition – Inappropriate capitalisation of expenditure and Incorrect classification of revenue expenditure funded by capital under statute</p> <p>Under ISA 240, there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>For the Council, we consider this risk most likely to manifest through:</p> <ul style="list-style-type: none">incorrect capitalisation of amounts which should be charged to the Comprehensive Income and Expenditure Statement (CIES) as expenditure; andincorrect classification of expenditure as revenue expenditure funded by capital under statute (REFCUS).	<p>What we did:</p> <p>We tested a sample of capital additions to confirm they meet the criteria for capitalisation set out in accounting standards.</p> <p>We tested a sample of Revenue Expenditure Funded from Capital Under Statute (REFCUS) to confirm that it meets the criteria set down in governing regulations.</p> <p>We used our analytics data to identify unusual journal pairings related to capital expenditure posted around the year-end i.e. where the journal is moving expenditure from revenue to capital codes. We reviewed these journals to ensure they are appropriate.</p> <p>Our conclusions:</p> <p>Our testing has not identified any misstatements arising from inappropriate capitalisation of expenditure, or other matters relating to this risk to bring to your attention. We are therefore able to conclude that the financial statements are not materially misstated as a result of inappropriate capitalisation of expenditure.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire County Council were as follows: (cont'd)

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition - Incorrect application of cut-off</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We assessed that an area open to a greater risk of manipulation is in the inappropriate application of cut-off such that expenditure related to the 2019/20 financial year is recorded in 2020/21.</p> <p>We also identified a risk relating to the deferral of expenditure accruals and overstatement of year end debtor balances to again improve the reported 2019/20 outturn. We identified that the manipulation of year end debtor and creditor balances as the most likely means to impact the reported income and expenditure positions, rather than in year income and expenditure postings.</p>	<p>What we did:</p> <p>We tested items of expenditure to ensure correctly valued and recorded in the correct financial year.</p> <p>We tested year-end debtors and creditors at a lower testing threshold to verify they have been recorded at the appropriate amount and in the correct year.</p> <p>We extended our testing of unrecorded liabilities to September 2020 to address the increased risk associated with the extended period management have had to compile the financial statements.</p> <p>Our conclusions:</p> <p>Our testing that income and expenditure items are recorded in the correct financial year has not identified any material errors.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire County Council were as follows: (cont'd)

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. The specific fraud risks identified relate to the inappropriate capitalisation of expenditure when considering revenue and expenditure recognition. Further details of our response to this risk are set out on the previous page.</p>	<p>What we did:</p> <p>We identified fraud risks during the planning stage of our audit;</p> <p>We enquired of management and those charged with governance about risks of fraud and the controls put in place to address those risks, and considered the effectiveness of those controls;</p> <p>We determined an appropriate strategy to address those identified risks of fraud; and</p> <p>We performed mandatory procedures regardless of specifically identified fraud risks, including:</p> <ul style="list-style-type: none">• testing of journal entries and other adjustments in the preparation of the financial statements;• assessing accounting estimates for evidence of management bias; and• evaluating the business rationale for significant unusual transactions. <p>Our conclusions:</p> <p>Our testing has not identified any misstatements arising from fraud or error, or other matters relating to this risk, to bring to your attention</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire County Council were as follows: (cont'd)

Significant Risk	Conclusion
<p>Valuation of property, plant and equipment, including investment property</p> <p>The fair value of other land and buildings and investment properties are significant assets on the Council's Balance Sheet. The valuation is dependent upon a number of judgements and assumptions, small changes in which can have a significant impact upon the financial statements.</p> <p>The valuation of non-current assets is performed by an external valuer and relies upon significant estimation and assumptions. We focus our work on the appropriateness of the valuer's work and the assumptions used to value non-current assets.</p>	<p>What we did: We:</p> <ul style="list-style-type: none"> considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; used our own EY Real Estate valuation specialists to review a sample of valuations identified as higher risk; sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for property, plant and equipment, and annually for investment property; considered if there are any specific changes to assets that have occurred and whether these were communicated to the valuer; reviewed assets that were not subject to valuation in 2019/20 to confirm the remaining asset base is not materially misstated; and tested the accounting entries relating to the valuation of non-current assets to ensure they had been correctly processed in the financial statements. We reviewed the financial statement disclosures to ensure that appropriate disclosure has been made in the financial statements concerning the material valuation uncertainty. <p>Our conclusions Our work has not identified any material issues in respect of accounting entries performed to reflect transactions relating to the valuation of either other land and buildings or investment property. We have nothing to report from our work that considered the annual cycle of valuations, assets not subject to valuation in 2019/20 or any changes made to useful economic lives. We have identified no issues when considering the work performed by the Council's valuers (Wilks, Head and Eve), including assessing the adequacy of the scope of the work performed, their professional capabilities and the results of their work. Our specialist has concluded that, based on the scope of work, from a valuation perspective, the methodologies used by the Council's valuers in developing the estimates were consistent with valuation practice given the characteristics of the assets being measured. Furthermore, from a valuation perspective, the significant assumptions used in developing the estimates were within a reasonable range, given the facts and circumstances present as of the valuation date. Finally, based on the scope of work, it appears that Management's concluded values and our comparative calculations for the assets as of the valuation date were consistent, given the inherent estimation uncertainty from a valuation perspective. The work of our specialist, in conjunction with the work performed by the audit team has enabled us to conclude that the valuation of other land and buildings and investment property is free from material error.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire County Council were as follows: (cont'd)

Significant Risk	Conclusion
<p>Going concern assessment and disclosures</p> <p>International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.</p>	<p>What we did:</p> <p>In undertaking this work, as the Council ceased to exist on 31 March 2021, the going concern assessment focussed on the service continuity provided by the two new unitary Councils. We reviewed the Council's going concern assessment and disclosure for 2019/20 in line with auditing requirements and considered in particular the Council's consideration and disclosure of the impact on the future financial position as a result of Covid-19 and the local government reorganisation.</p> <p>We also considered whether these disclosures included details of the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19). Our audit procedures to review these included considerations of:</p> <ul style="list-style-type: none"> • Current and developing environment; • Liquidity (operational and funding); • Mitigating factors; • Management information and forecasting; • Sensitivities and stress testing; • Challenge of management's assessment, by thorough testing of the supporting evidence and consideration of the risk of management bias.; and • Continuation of services post local government reorganisation. <p>We noted that the UK Parliament enacted plans that impact on the continued operational existence of the sovereign Northamptonshire Councils beyond 31 March 2021, but that their activities transferred to the two unitary Councils. Therefore, the going concern basis of preparation of financial statements for each sovereign Council for the period up to 31 March 2021 remains appropriate.</p> <p>We completed a single piece of work across Northamptonshire that considers whether service provision can continue at similar levels after the 1st April 2021 and for the period of the going concern assessment. This considered the existing and available business plans and budgets for each new unitary council, and how forecast net expenditure can be met by cashflows and available to use reserves.</p> <p>This work also considered whether the Council have appropriately disclosed this position and how this informs any modifications to our audit report.</p> <p>Our findings are set out on the following page.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire County Council were as follows: (cont'd)

Conclusion

Going concern assessment and disclosures (cont'd)

The going concern assessment needs to cover a period of 12 months from the date of our audit report and therefore needs to cover the period to November 2022.

North Northamptonshire Council (NNC) and West Northamptonshire Council (WNC) set balanced budgets for financial year 2021/22 and have forecast usable reserves to be £85 million and £98 million respectively at the end of the 2021/22 financial year. Management used 'incremental budgeting' to develop the 2021/22 budget, with the starting point being the combined 2020/21 budgeted position of the Councils being replaced. Management have then adjusted the budget for known costs and savings.

The General Fund revenue budgets for the new Councils are still settling, as they are a combination of disaggregated County Council budgets and an aggregation of District and Borough budgets from North and West Northamptonshire. They were approved before the majority of service redesigns and staffing structures were implemented for the new councils. Since the 1st April, the new Councils have reviewed budgets and applied zero based financial planning to ensure they are sufficient to cover commitments, and adequately fund new service designs and ways of working. This process will inform the 2022/23 budget and update the provisional medium term financial plan.

The period four revenue monitoring reports for NNC reports:

- The provisional outturn position for the sovereign councils at 31/3/2021 shows an underspend of £6.4 million for Northampton County Council, and a combined underspend of £3.1 million for Kettering Borough Council and Wellingborough. The underspends for Kettering Borough Council and Wellingborough will be added to North Northamptonshire's General Balance, along with the Council's share of the Northampton County Council underspend.
- The forecast outturn position for 2021/22 is an underspend of £0.3 million.

The quarter one revenue monitoring reports for WNC reports:

- The provisional outturn position for the sovereign councils at 31/3/2021 shows a £14 million increase in the opening reserve position, £2 million increase for general fund reserves and £12 million increase in Earmarked reserves (excluding Business Rates S31 Grant).
- The forecast outturn position for 2021-22 is an overspend of £1.6m, which is 0.5% of the net budget, before the application of the contingency budget.

We have reviewed management's assessment for both NNC and WNC, and concluded that there is no material uncertainty in the Councils being able to continue with the provision of service. Our conclusion is based on the following key factors:

- Starting budget - We have agreed the starting position to the combined 2020/21 budgets of the Councils being replaced. We have reviewed the 2020/21 provisional outturn for each individual Council and noted that the opening reserves for both Councils will be higher than forecast in the provisional 2021/22 budget.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire County Council were as follows: (cont'd)

Conclusion

Going concern assessment and disclosures (cont'd)

- 2021/22 incremental costs - management assumed total in year incremental costs of £45 million (NNC) and £27 million (WNC). The most significant incremental cost relates to Covid-19 lost income and additional expenditure which management have forecast before the receipt of any additional Covid-19 government support. We have compared this figure to the total Covid-19 cost in 2020/21 for the Councils being replaced, which indicates the assumption is reasonable.
- Saving assumptions - management has assumed total in year savings of £19 million (NNC) and £13 million (WNC) in 2021/22 and £11.4 million (NNC) and £7 million (WNC) in 2022/23. These saving assumptions are not significant in the context of the overall budget and we have therefore not reviewed them in detail. We have however removed all forecasted savings in our 'plausible downside' scenario referenced below.
- Budget gap - The provisional Medium Term Financial Plan included budget gaps of £18.5 million (NNC) and £15m (WNC) in the 2022/23 budget. We have assumed this budget gap is not mitigated in our 'plausible downside' scenario referenced below.
- 2021/22 funding - the key funding sources for the Councils is business rates, council tax, and government grants. We have confirmed business rates and council tax are in line with the amounts collected by the individual bodies in previous years. For government grants we have agreed all significant assumed grants to third party support. We also note that due to the timing of the budget setting it does not include additional Covid-19 central government support in 2021/22.
- 2022/23 - We have reviewed the 2022/23 budget set out in the provisional MTFP, the councils removed or reduced one off or uncertain funding like covid one off grants, business rates growth and new homes bonus.
- Plausible downside - We have performed our own plausible downside. In this scenario, we have assumed the impact of Covid-19 in 2021/22 is the same as the impact in 2020/21. We have also removed all assumed savings from the budget. For 2022/23, we also removed all assumed savings from the budget and assumed the budget gaps would not be mitigated. Our plausible downside scenario shows management have sufficient reserves to continue delivering services.
- Reverse stress test - we have also performed a reverse stress test. This shows income would need to fall, or expenditure increase, by 16.1% (NNC) and 15.3% (WNC) for usable reserves to drop to nil in 2021/22, and 16.2% (NNC) and 13.9% (WNC) for usable reserves to drop to nil in 2022/23.

Our work is in the context that the new council continues to review and challenge their budgets as part of zero based financial planning.

We have agreed a revised going concern disclosure for the financial statements covering the basis of preparation, how the financial baseline was established for the unitary councils, the 2021/22 budgets and medium-term financial plans, the latest revenue budget forecasts for 2021/22, the key risks and uncertainties, and the current financial planning process to build the 2022/23 budget and update the provisional MTFP.

We included an Emphasis of Matter paragraph in our Audit Report to draw attention to the disclosures made by the Council regarding the local government reorganisation.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire County Council were as follows: (cont'd)

Other Key Findings	Conclusion
<p>Pension liability valuation</p> <p>Accounting for the Authority's defined benefit pension scheme liabilities involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management specialists and the assumptions underlying fair value estimates.</p>	<p>What we did:</p> <p>We liaised with the audit team of the Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Northamptonshire County Council. Note that the audit of the Pension Fund is also performed by EY. We assessed the work of the Pension Fund actuary (Hymans Robertson), including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and review of this work by the EY actuarial team. We reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to defined-benefit pensions.</p> <p>Our conclusions:</p> <p>We have considered EY Pensions review of the work of PWC, the consulting actuaries with no significant findings to report.</p> <p>The pension fund auditor highlighted to us a discrepancy in membership data between numbers held by the pension fund and those used by the actuary.</p> <p>The difference between the figures used, although not exact due to the timing of the triennial calculations, is in the region of 1,300 members classified as deferred by the actuary that should have been recognised as active. The impact of this would be to increase the overall liability of the Council. The actuary has performed calculations to establish a range of how much the liability may have been understated by as at 31 March 2020. This range is between £0.5 million and £0.9 million. We have performed our own calculations to corroborate the work of the actuary and note that the top end of our range of £0.6 million which, although above our trivial reporting threshold, would represent an immaterial judgemental difference.</p> <p>Due to the immaterial value of the difference, the Council have determined in discussion with the actuary, not to re-perform any calculations based on the accurate membership data for 2019/20. We report this difference to the Committee but conclude that it does not lead to a material misstatement of the liability at the balance sheet date.</p> <p>The pension fund auditor has also highlighted two further differences, in relation to a £2.5 million overstatement of assets and £1.2 million overstatement of the return on investments. Neither of these differences have been deemed large enough to lead to the Council to request an updated IAS 19 report. These differences therefore remain unadjusted.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire County Council were as follows: (cont'd)

Other Key Findings	Conclusion
<p>Minimum Revenue Provision (MRP)</p> <p>MRP represents the minimum amount charged to the Council's revenue account each year in order to cover the Council's capital financing requirement (CFR).</p> <p>The Council reviewed their MRP policy with effect from 2017/18 and identified that MRP had been over-provided, based on a retrospective application of the Council's new MRP policy. The Council planned to release this amount over subsequent years.</p> <p>In 2018/19, we confirmed that MRP charged in previous years on supported and unsupported borrowing exceeded the amounts that would have been due under the Council's revised policy. However, we had not agreed the exact amount of the overprovision or how this would be unwound in future periods. We agreed to work with management in 2019/20 to confirm the position.</p>	<p>What we did:</p> <p>We worked with management and challenged their assumptions and calculations as they:</p> <ul style="list-style-type: none"> reperformed Capital Financing Requirement calculations required to determine MRP due under the Council's current policy; and remodelled the MRP calculations, assessing conclusions drawn on the work and assumptions used in the calculation. <p>We reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to MRP.</p> <p>Our conclusions:</p> <p>The main findings from this work are summarised below:</p> <ul style="list-style-type: none"> The CFR as at 1 April 2019 was reduced by £1.306 million in order to reconcile the position per the statements to the revised calculations. MRP charged in 2019/20 was reduced by £731,000 as the Council took advantage of an additional overprovision identified as part of this work. We agreed a total MRP overprovision, compared with the Council's current policy, up to and including 31 March 2020 of £81.2 million. This assumed an average useful life of 35 years for all unfinanced capital expenditure incurred from 1 April 2008. The Council does not currently charge MRP in relation to capital loans and investments which represents a departure from the statutory guidance issued by MHCLG. We recommend the Council reconsiders whether this policy leads to a prudent provision. The Council should ensure it maintains more detailed accounting records to support the MRP charges applied to unsupported CFR incurred from 1 April 2020. As at 31 March 2018, capital receipts of £11.68 million had not been recognised in the capital receipts reserve. This has been corrected as a prior period adjustment in the 2019/20 statements.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire County Council were as follows: (cont'd)

Other Key Findings	Conclusion
<p>PFI and service concession arrangements</p> <p>The Local Authority Accounting Code of Practice requires that PFI (Private Finance Initiative) schemes should be accounted for on the basis of IFRIC 12 "Service Concessions".</p> <p>The Council's total future obligation in relation to its PFI schemes as at 31 March 2020 is £1.05 billion. These values are derived from complex models which reflects a number of assumptions which may change over the life of the contract. Any errors in the model could impact on liabilities and any charges to revenue in year.</p>	<p>What we did:</p> <ul style="list-style-type: none">• Understood the process of how the PFI models are maintained and updated; including how the output of the models are included within the Council's financial statement closing processes;• Identified those inputs to the model which are estimates and undertaken audit procedures to gain assurance over the reasonableness of these estimates;• Considered whether we needed to engage EY's internal specialists to review the PFI model to ensure the inputs and accounting are in line with our expectations; and• Confirmed that year end journal entries in relation to the PFI schemes have been processed accurately. <p>Our conclusions:</p> <p>Our work has not identified any material issues in respect of accounting for PFI.</p> <p>We have considered the need to consult our internal specialist. Considering the assurance we had from their review undertaken in the previous year and the fact that there were no changes to the significant PFI schemes in 2019/20, we concluded that we had sufficient assurance from the work undertaken by the audit team and did not need to engage a specialist in this area for 2019/20.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire Pension Fund were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error:</p> <p>Incorrect posting investment valuation and investment income journals</p> <p>As identified in ISA240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>For the Pension Fund we considered that the main area where management override of controls may occur is the incorrect posting of investment valuation and investment income journals posted into the general ledger.</p>	<p>What we did:</p> <ul style="list-style-type: none"> • Made enquiries of management and those charged with governance to understand the risks of fraud for the Pension Fund and the operating effectiveness of the controls in place to address those risks. • Performed mandatory procedures in relation to management override of controls including: <ul style="list-style-type: none"> • Testing of journal entries and other adjustments in the preparation of the financial statements, • Review of material estimates for evidence of management bias, • Review of any significant unusual transactions for the pension fund <p>In respect of incorrect posting of investment valuation and income journals we:</p> <ul style="list-style-type: none"> • Agreed the custodian's valuation and income report to that of individual fund manager valuation and income reports in totality for the pension fund's investment assets and investment income. • Agreed the investment holdings as reported in the Pension Fund's Net Assets Statement to the source reports from the Pension Fund's Custodian and Investment Fund Managers. <p>Our conclusions:</p> <p>We did not identify any material weaknesses in controls nor any instances of management override. We did not identify any misstatements arising from the procedures performed.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire Pension Fund were as follows: (cont'd)

Significant Risk	Conclusion
<p>Valuation of complex investments</p> <p>The Pension Fund's investments include unquoted investment such as private equity, infrastructure and pooled property funds. The Pension Fund's Investment managers make judgements to value these investments as their prices are not publicly available.</p> <p>Furthermore, market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the pension fund year end. Such variations could have a material impact on the pension fund's financial statements.</p> <p>Covid-19 has created an uncertain economic environment immediately prior to the Pension Fund's reporting date of 31 March 2020. As a result, the valuation of these complex investment assets as of 31 March 2020 were subject to increased estimation and potentially significant judgements.</p>	<p>What we did:</p> <p>For a sample of complex investments (encompassing Private Equity, Pooled Property and Infrastructure investments) we:</p> <ul style="list-style-type: none">• Reviewed the basis of valuation for the investments to assess the appropriateness of valuation methods used.• Compared the investment value included in the Pension Fund's financial statements to direct confirmations from the Fund Managers.• Reviewed the latest audited financial statements of the investment funds to corroborate Net Asset Values used in determination of investment valuations.• Performed analytical procedures, in light of Covid-19, to verify the valuation output (from fund managers) for reasonableness against our own expectations.• Reviewed investment valuation disclosures to verify that significant judgements surrounding the valuation of complex investments have been appropriately made in the Pension Fund's financial statements. <p>Our conclusions:</p> <p>We identified an audit misstatement of £5.4 million that overstated the valuation of investment assets. This misstatement arose due to timing differences in the availability of information to value the investment as of 31 March 2020.</p> <p>In addition, we identified one investment fund of £45 million which was incorrectly classified within the Pension Fund's financial statement investment disclosures as a level 2 rather than a level 3 investment. Management amended the financial statements to update for both of these findings.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire Pension Fund were as follows: (cont'd)

Other Key Findings	Conclusion
<p>Pension liability assumptions</p> <p>The Pension Fund's engages it's actuary, who have specialist knowledge and experience, to estimate the Pension Fund's liability to pay future pensions.</p> <p>The estimate is based on a roll-forward of data from the previous triennial valuation of the Pension Fund, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p>	<p>What we did:</p> <ul style="list-style-type: none">• Reviewed the controls in place to ensure that data provided from the Pension Fund to the actuary is complete and accurate;• Reviewed the reasonableness of assumptions used in the calculation by the actuary against other local government pension fund actuaries and observable data; and• Agreed the financial statement disclosures to information provided by the actuary. <p>Our conclusions:</p> <p>We did not identify any misstatements in relation to this area of audit focus.</p>
<p>ACCESS pooling arrangements</p> <p>The Pension Fund is a member of the ACCESS pool with ten other shire counties. ACCESS enables the pooling of investments through a Collective Investment Vehicle (CIV) that is administered and maintained by a third party operator.</p> <p>The Pension Fund joined the ACCESS pool during the 2018/19 year, however, 2019/20 was the first year where a material amount of investments held by the Pension Fund transition into the pool.</p>	<p>What we did:</p> <ul style="list-style-type: none">• Enquired with officers to understand the governance arrangements in place to ensure that the pooled investments are appropriately managed.• Reviewed supporting documentation from Investment Managers to confirm the nature of the transition of the investments into the ACCESS pool.• Obtained confirmation of the valuation of investments as of 31 March 2020 within the ACCESS pool, and corroborated the value of these investments to publicly available market information.• Considered whether the Pension Fund applied the appropriate accounting treatment and disclosure requirements for investments in the ACCESS pool. <p>Our conclusions:</p> <p>We did not identify any material weaknesses in the Pension Fund's governance arrangements to enable it to manage it's investments within the ACCESS pool.</p> <p>We did not identify any misstatements in relation to this area of audit focus.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit on Northamptonshire Pension Fund were as follows: (cont'd)

Other Key Findings	Conclusion
<p>Going concern assessment and disclosures</p> <p>International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.</p> <p>The Covid-19 pandemic created a number of financial pressures and uncertainties throughout local government and the wider economy that could directly impact the Pension Fund. Any uncertainties need to be considered in the Pension Fund's detailed going concern assessment and financial statement disclosures.</p>	<p>What we did:</p> <ul style="list-style-type: none">• Reviewed management's assessment of going concern for the Pension Fund,• Reviewed the Pension Fund's future cash flow forecast to verify the reasonableness of the forecast,• Reviewed the appropriateness of the financial statement disclosures in relation to going concern. <p>Our conclusions:</p> <p>Management's assessment of going concern for the Pension Fund was appropriate. We concluded that the Pension Fund's future 12 month cash flow forecast was reasonable. After minor amendments to reflect the passage of time between the production of the draft accounts and the completion of the audit, we concluded that the going concern financial statement disclosures were appropriate.</p>

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>Council</p> <p>We determined planning materiality to be £9.8 million, which is 1% of the gross expenditure on the provision of services per the draft financial statements. Note for the purposes of determining materiality we consider certain elements of financing and investment income, such as interest cost and return on plan assets for pensions, on a net basis whilst the financial statements present these amounts gross.</p> <p>We consider the gross expenditure on the provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p>Pension Fund</p> <p>We determined planning materiality to be £24 million, which is 1% of the Pension Fund's net assets as per the draft financial statements.</p> <p>We consider the net assets of the Pension Fund to be one of the principal considerations for stakeholders in assessing the financial performance of the Pension Fund.</p>
Reporting threshold	<p>Council</p> <p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.491 million.</p> <p>Pension Fund</p> <p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.2 million.</p>

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Section 4

Value for Money



Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider NHS bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We identified four significant risks in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

The Council was proactive throughout the 2019/20 financial year in addressing several issues that were identified in the prior year. However, during the year to 31 March 2020, weaknesses in arrangements were still in evidence, as reflected in the Ofsted findings for improvement in Children's Services. In addition, weaknesses in risk management arrangements remained, with the Corporate Risk Register not being sufficiently comprehensive and not providing sufficient detail of the risks and the related controls in order to be effective in mitigating risks for the Council.

We issued a qualified value for money conclusion, reflecting weaknesses present in the Council's arrangements to fully implement Ofsted inspection findings and risk management during 2019/20.



Value for Money (cont'd)

Significant Risk

Financial resilience

The Council has a history of serious financial difficulties, with inadequate budgeting and monitoring processes, evidenced by adverse value for money conclusions in 2017/18 and 2018/19.

Some progress was noted up to the end of 2018/19 in relation to the Council's arrangements to recover the financial position based on sustained efforts to identify additional savings and in-year mitigations, as well as tighter monitoring of expenditure. Monthly updates and discussions regarding financial performance are evidenced in the Cabinet minutes through the Monthly Revenue Finance Reports, with an improved level of detail to support informed decision making.

However, more action and progress was required to achieve a sustainable financial position. Although the Council delivered an underspent position for 2018/19, this was heavily reliant on a capital dispensation obtained, the S114 Notice being in place keeping spending to a minimum required level, and the one-off measures and non-recurrent transactions identified in the year. The savings identified in the Stabilisation Plan were only partially achieved (less than 50%), which suggests that either the planned savings were overly ambitious, or the Council failed to implement the necessary actions to achieve them.

Conclusion

Our work focused on assessing whether:

- Management actively monitored performance against the budget during the year and, if necessary, took reasonable actions to address divergences;
- The Council used reasonable assumptions for the preparation of the 2020/21 MTFP;
- The level of savings assumed within the 2020/21 MTFP were realistic considering the Council's past performance in achieving planned savings; and
- The available reserves and balances were adequate compared to the Council's overall budget requirements and arrangements were established to ensure these were used in a sustainable manner to address unexpected/one-off events.

We concluded that the Council had proper arrangements in relation to financial resilience to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people during 2019/20.

Value for Money (cont'd)

Significant Risk

Children's Services

Inspections of Children's Services undertaken by Ofsted in 2016 and 2018 assessed the service as 'requires improvement' in all areas.

The Council took steps, such as the creation of Northamptonshire Children's Improvement Plan, to address the concerns raised by Ofsted. The target dates for most of the actions were predominately in FY 2019/20.

Conclusion

Ofsted undertook one inspection during 2019/20, in June 2019. The Council were rated inadequate in 3 of the 4 areas of inspection. The Ofsted report stated "*Northamptonshire's Children's Services are failing to keep children safe. While some progress has been made since the Ofsted focused visit in October 2018, there remains a range of significant weaknesses in services whose effectiveness is central to protecting children*".

A revised Statutory Direction was issued to Northamptonshire County Council on 10 June 2019 due to continued poor performance in children's social care services. This included a Direction for the Council to work with the Secretary of State for Education and/or the Children's Services Commissioner towards the establishment of a wholly owned Council company for the delivery of Children's social care services (or Children's Services trust) in Northamptonshire.

Our review found that the Council had not effectively addressed the areas of concern identified by Ofsted during 2019/20. Whilst there was a sufficient level of oversight from Cabinet and the Oversight & Scrutiny Committee, the June 2019 Ofsted report rated the service "inadequate" across several different judgement areas. Improving services to achieve the next level (i.e. "requires improvement") will require significant change and development from the Council.

A review of the Oversight & Scrutiny Committee minutes throughout the year showed the Council had been pro-active in addressing the concerns about social worker recruitment and retention, and the decision to create a Trust to try and create an effective vehicle for decisive change is evidence that the Council was taking action to improve Children's Services. Having the Northamptonshire Children's Improvement Plan to use as a basis for necessary improvement indicates that actions were being taken to address the concerns raised by Ofsted. Indeed, an Ofsted report in October 2020 stated that "*inspectors found convincing evidence that services for children and young people in Northamptonshire are starting to improve, albeit from a very low base*". Whilst the Council had taken steps to improve Children's Services throughout the year, it had not managed to address all of Ofsted's findings.

We concluded the Council did not have proper arrangements to respond to the recommendations raised by Ofsted during 2019/20. We qualified our VFM conclusion in this respect.

Value for Money (cont'd)

Significant Risk

CQC local system review

A local system review for Northamptonshire was carried out by the Care Quality Commission in April 2018, reporting in June 2018, to understand how people move through the health and social care system in Northamptonshire. The report highlighted weaknesses and challenges in the system and included suggested areas of focus for the system to secure improvement.

The Council implemented a series of changes in light of the CQC Report during 2018/19. However, by June 2019, five out of 23 actions remained outstanding.

Conclusion

The Council has continued to implement changes throughout 2019/20 in response to the 2018 CQC report. The Council has continued to make progress on implementing its action plan, and at the end of 2019/20 the action plan was substantially completed and being used to monitor continued development against the key improvement themes.

Whilst the action plan produced by the Council did not clearly identify how the actions included would address the specific CQC recommendations initially, the condensed plan made this more discernible. In 2019/20, the Health and Wellbeing Board (HWB) received multiple updates on the CQC report and action plan and, given the progress made against the plan, this appears to have been an effective and appropriate approach.

The Council has addressed the findings from the CQC report and needs to continue to build and develop in those areas to ensure improvement in care continue and that the next CQC review produces a positive result.

We therefore concluded that the Council had proper arrangements in relation to taking properly informed decisions, deploying resources in a sustainable manner and working with partners and other third parties in respect of responding to the findings from the CQC local system review during 2019/20

Value for Money (cont'd)

Significant Risk

Risk management

The Council had a history of weaknesses for its risk management framework as evidenced by adverse VFM conclusions in 2017/18 and 2018/19.

Our work in 2018/19 identified, whilst the risk registers were maintained on a regular basis and there is evidence they were updated and reviewed with regularity by the Audit Committee, the quality of the Corporate Risk Register was insufficient. Failure to properly identify, address and monitor risks will limit the Council's ability to make informed decisions and deploy resources sustainably.

Conclusion

The creation and maintenance of a risk register shows the Council had a proactive approach to risk management, and that it has considered specific controls to mitigate the risks identified. Review of the risk registers presented to the Council throughout the year however identified flaws and lack of detail in the risks and controls. For example, risks were not sufficiently detailed and it is unclear which controls are intended to address which risks. In addition, the Council had not documented any consideration of the effectiveness of the deployed controls, nor indicated how the adequacy assessment was made. Internal Audit's review of the Corporate Risk Register found some of the risks were missing triggers and there were omissions from the control environment.

Overall, whilst the risk registers were maintained on a regular basis and appear to be updated and reviewed regularly by the Audit Committee, the Corporate Risk Register was not sufficiently comprehensive and did not provide sufficient detail of the risks and the related controls to be effective in mitigating risks for the Council. This results in a risk that failure to properly identify, address and monitor risks will limit the Council's ability to make informed decisions and deploy resources sustainably.

We concluded there were significant weaknesses in arrangements during 2019/20. We qualified our VFM conclusion in this respect.



Section 5

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

HM Treasury (HMT) have closed the 2019/20 data submission cycle and it is no longer possible for entities to submit their cycle 2 data. They are not putting in place alternative arrangements for 2019/20 data collection. The NAO will only expect to receive assurance statements going forwards where these relate to submissions made on or before the 17th of December 2021. We are waiting formal notification from HMT that this removes the audit responsibility to issue an assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit & Governance Committee of West Northamptonshire Council, as the successor body to Northampton Borough Council, on 29 September 2021. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

In the prior year, we reported significant difficulties that caused delays to our audit. Although there are still legacy issues faced by the Council's closedown team in retrieving some documents, the 2019/20 audit was significantly smoother. We would however note that, although the working papers have improved significantly, further improvements are still required and in some areas the working papers are still poor.

We provided a more detailed report to management which includes commentary on the issues identified and a follow-up of issues presented to previous committees. The matters identified are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to management.

Section 6

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>Originally intended to be applicable for local authority accounts from the 2020/21 financial year, the adoption of the new standard has been deferred to avoid placing additional pressure on local authority finance teams during the Covid-19 pandemic. It is current proposed that IFRS 16 will be applicable for local authority accounts from the 2022/23 financial year.</p> <p>The main impact of the new standard is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset recognised on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals recognised as expenditure in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.</p> <p>For local authorities who lease a large number of assets the new standard will have a significant impact, with the majority of current leases likely to be included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2022/23 Accounting Code of Practice for Local Authorities will not be issued for some time yet, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2022/23 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

Section 8

Audit Fees

Audit Fees

Our fee for 2019/20 Northamptonshire County Council audit is set out below. We confirm we have not undertaken any non-audit work.

Description	Proposed Final Fee 2019/20 £	Scale Fee 2019/20 £	Final Fee 2018/19 £
Northamptonshire County Council Total Audit Fee - Code work	420,000***	105,998 **	797,457 *

* The proposed fee for 2018/19 in the table above has been approved by management and submitted to PSAA Ltd for their consideration. This has not yet been approved by PSAA Ltd and as such we have not yet billed any fee in excess of the scale fee.

** As noted in our Audit Planning Report, we have agreed with PSAA that we will agree an amended scale fee to reflect the level of additional risk in the audit. We will set out our considerations of our fee to management and provide details to support the proposed scale fee variation. The key elements driving the additional fee in 2019/20 are:

- Increased risk profile - the audit was designated as close monitoring due to the risk profile arising from high levels of public scrutiny due to its financial position and the transition to a unitary authority model across Northamptonshire The audit response included the allocation of a Partner as Engagement Lead, with support from an Associate Partner and Senior Manager and a Partner as an engagement quality control reviewer.
- Increased risk profile - audit work on six significant risk areas and three further areas of focus, this includes the engagement of audit specialists.
- Increased risk profile - application of lower materiality levels, resulting in increased samples across all audit work.
- Increased consultation with EY's professional practice team concerning prior period adjustments, going concern and the audit report.
- Increased audit time on areas where it was difficult to audit due to the inherent systems of financial reporting and record keeping applied in the financial year.
- VFM work on four significant risk areas.

*** Our final proposed fee for 2019/20 is subject to the approval processes of PSAA Ltd.

Audit Fees

Our fee for the 2019/20 Northamptonshire Pension Fund audit is based on the scale fee set by the PSAA as reported in our Audit Results Report present to the 18 March 2021 Audit Committee. The table below shows the final position of the audit fee. This has yet to be approved by PSAA.

Description	Final Fee 2019/20	Planned Fee 2019/20	Final Fee 2018/19
	£	£	£
PSAA Scale Fee - Code work	18,699	18,699	18,699
Additional code work and associated fees:			
Additional procedures on going concern and subsequent events	4,500		8,000
Additional planning risk assessment procedures in relation to Covid-19	1,000		
Additional procedures on valuation of complex (level 3) investments	6,400		
Consideration of material uncertainty of valuation of pooled property investments in light of Covid-19	1,000		
Additional time spend due to Covid-19 remote working inefficiencies	3,000		
Additional procedures to review ACCESS pooling arrangements	1,000		
Total Audit Fee - Code work	35,599	18,699	26,669
Non-code work: annual IAS 19 assurance procedures	12,000	12,000	5,500
Non-code work: additional IAS 19 assurance procedures on membership number data, specifically on Northamptonshire County Council members.	2,500		
Non-code work: Triennial valuation review procedures, including detailed membership record testing	10,500		
Total Audit Fee - Non-code work	25,000	12,000	5,500
Overall Total Audit Fee	60,599	30,699	32,169

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ED None

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WEST NORTHAMPTONSHIRE COUNCIL

AUDIT & GOVERNANCE COMMITTEE

26 January 2022

Report Title	Northamptonshire County Council - External Audit Planning Report Year Ending 2020/21
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Report Author	Audra Statham – Assistant Director Finance (Accountancy) audra.statham@Westnorthants.gov.uk
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Contributors/Checkers/Approvers

West MO	Catherine Whitehead	Emailed 17 th January 2022
West S151	Martin Henry	12/1/22
Other Director/SME	Audra Statham	12/1/22

List of Appendices

Appendix A – Northamptonshire CC Ernst & Young Audit Planning Report– Year End 31 March 2021.

1. Purpose of Report

1.1. The purpose of the report is for the External Auditor to update the Committee in relation to the audit plan for the audit of the Northamptonshire CC 2020/21 Statement of Accounts.

2. Executive Summary

2.1 Ernst & Young LLP (EY LLP) was appointed as the external auditor for Northamptonshire County Council from the 2018/19 financial year through to the 20/21 financial year. The external auditor is required to update this Committee in relation to the audit plan for 2020/21. The audit is in progress and is currently on track for EY LLP to report the audit findings in March 2022. The critical incident, called by the Chief Executive in response to the pandemic, may hinder progress to this timeline subject to staff being diverted to other duties. The audit planning report is attached for consideration at Appendix A and will be presented by the external auditor to the Committee.

3. Recommendations

3.1 It is recommended that the Committee note the 2020/21 Audit Planning report for Northamptonshire County Council.

4. Reason for Recommendations

4.1 The reason for the recommendations is to accord with legislation and policies of the Council.

5. Report Background

5.1 The external auditor's audit planning report at appendix A sets out:

- The overall strategy for the audit
- Audit risks
- Value for Money risks
- Audit materiality
- Scope of the Audit
- Overview of the audit team
- Overview of the audit timeline
- Independence statement
- Appendices detailing audit fees, required communications with the Committee and other audit information.

6. Issues and Choices

6.1 No alternative options have been considered as the external auditor is required to communicate the audit plan to the Committee.

7. Implications (including financial implications)

7.1 **Financial** - There are no resource or financial implications arising from the report.

7.2 **Legal** - there are no legal implications arising from the report.

7.3 **Risk** - Not applicable.

7.4 **Consultation** – not applicable

7.5 **Consideration by Overview and Scrutiny** – Not applicable

7.6 **Climate Impact** – not applicable

7.7 **Community Impact** – not applicable

8. Background Papers

None

A high-angle photograph of several people sitting around a white table, reviewing documents. One person's hand is pointing at a document, while another's hand is also visible. A smartphone is on the table. The scene is brightly lit, suggesting an office or meeting environment.

Northamptonshire County Council Provisional Audit Planning Report

Year ended 31 March 2021

11 January 2022

11 January 2022



Audit and Governance Committee
West Northamptonshire Council
C/o One Angel Square
Angel Street
Northampton, NN1 1ED

Dear Audit and Governance Committee Members

Provisional Audit Planning Report

We are pleased to provide our Provisional Audit Planning Report which sets out how we intend to carry out our responsibilities as auditor of the now demised entity of Northamptonshire County Council for the financial year ended 31 March 2021. Its purpose is to provide the Audit and Governance Committee (of its successor body) with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's new 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the committee's service expectations. We have not completed all of our planning procedures, we will provide an update to the Committee should our risks or audit approach change.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for Northamptonshire County Council for 2020/21, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this plan with you on 26 January 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Janet Dawson

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd. (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee and management of Northamptonshire County Council in accordance with the Statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Northamptonshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Northamptonshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from prior year	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk/ Significant risk	No change in risk or focus	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. As part of our planning we have considered the areas of the accounts which could be subject to a risk of manipulation. The specific risks identified in this area are:</p> <ul style="list-style-type: none"> ➤ Incorrect capitalisation of revenue expenditure ➤ Incorrect classification of revenue expenditure funded by capital under statute ➤ Incorrect application of cut-off
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	<p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We recognise this risk on all audits.</p>
Valuation of One Angel Square	Significant risk	Slight change in focus for 2020/21	<p>The Council have engaged their valuation specialist to revalue One Angel Square (OAS) during 2020/21. OAS is a significant asset for the Council with a material value. The valuation approach has been changed to Depreciated Replacement Cost.</p> <p>In 2019/20, the valuation of OAS was included in the Valuation of property, plant and equipment, including investment property significant risk. In 2020/21 this risk has been split into one inherent risk as reported on page 6, and a separate significant risk for the valuation of OAS.</p>

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from prior year	Details
Valuation of property, plant and equipment, including investment property	Higher Inherent risk	Decrease in level of risk	<p>The fair value of land and buildings represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>We will specifically focus on assets where a higher degree of estimation uncertainty exists; which for Northamptonshire County Council is those assets valued under one of the following valuation methods:</p> <ul style="list-style-type: none"> ➤ Fair Value (such as investment properties); ➤ Depreciated Replacement Cost (Specialised operational assets for which an active market does not exist); and ➤ Existing Use Value (operational assets for which there is an active market to provide comparable evidence) <p>Our assessment is that this risk is linked to other land and buildings and investment properties due to the range of valuation bases and assumptions included within those balances.</p>
Valuation of defined benefit pension liability	Higher Inherent risk	No change in risk or focus	<p>The defined benefit pension liability is one of the most significant liabilities on the Council's Balance Sheet. The assessment of the present value of future obligations requires detailed actuarial calculations. Small changes in the assumptions used for the calculations can have a significant impact upon the financial statements.</p>

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from prior year	Details
Going concern assessment and disclosures	Higher Inherent risk	Decrease in level of risk	<p>CIPFA's Code of Practice on Local Council Accounting in the United Kingdom states that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, ISA 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the UK, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.</p> <p>To do this, the auditor must review and challenge management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.</p> <p>Due to local government reorganisation - although there is continuation of service, from April 2021, future services are being delivered by two Unitary Councils and the Children's Trust in Northamptonshire. As a result, the going concern assessment and disclosures has been assessed as a higher inherent risk. The risk was significant in the prior year due to the going concern assessment including the first year of the new unitary councils. The Council will need to ensure it makes full and appropriate disclosure in its financial statements related to going concern.</p> <p>The auditor's report in respect of going concern covers a 12-month period from the date of the report. Therefore the Council's assessment will also need to cover this period. We will review the Council's going concern assessment and disclosure and consider the financial position and continuation of services in the new Unitary Councils.</p>
Private Finance Initiative	Higher Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice requires that PFI (Private Finance Initiative) schemes should be accounted for on the basis of IFRIC 12 "Service Concessions".</p> <p>In 2020/21, a variation to one of the PFI contracts occurred requiring the Council to obtain specialist external support to ensure accounting for this variation has been performed correctly. As such, we will engage our own internal PFI Specialist to perform a review of the variation and subsequent transactions.</p>

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from prior year	Details
Transfer to Northamptonshire Children's Trust (group accounts)	Higher Inherent risk	New area of focus for 2020/21	<p>In 2019, Northamptonshire County Council children's social care services were placed under a "Direction" by the Department for Education for the Council to work with the Secretary of State for Education and/or the Children's Services Commissioner towards the establishment of a Council wholly-owned Children's Trust.</p> <p>Northamptonshire Children's Trust was established on the 1st November 2020 to deliver children's social care services on behalf of the Council.</p> <p>For 2020/21, the ownership of the Children's Trust is retained by the County Council.</p> <p>There is a risk that the accounting for the transfer of the services from the standalone County Council financial statements and the subsequent consolidation of the Children's Trust into County Council Group Financial Statements, could be misstated.</p>
Accounting for covid related Government grants	Higher inherent risk	New inherent risk	<p>The Council received a significant level of government funding in relation to Covid. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions.</p>

Overview of our 2020/21 audit strategy

Approach to VFM

Under the revised 2020 Code of Audit Practice, we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer an overall evaluation criterion which we need to conclude on.

Instead, the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. Further details of these criteria are provided in section 3.

Following consultation with the National Audit Office, under whose guidance our value for money work is performed, we are intending to reflect the particular circumstances of the Council as a demised body by providing a single commentary on arrangements covering all of the demised Northamptonshire bodies whose functions transferred to North Northamptonshire Council and West Northamptonshire Council. This commentary will highlight, as appropriate, specific observations applicable to individual demised bodies.

The significant VFM risks we have identified are outlined in Section 3.

Overview of our 2020/21 audit strategy

Materiality

Planning
materiality
£11m

Materiality has been set at £11 million, which represents 1% of the gross expenditure on provision of services in the draft 2020/21 core financial statements provided by management.

Performance
materiality
£5.5m

Performance materiality has been set at £5.5 million, which represents 50% of materiality. This is a reflection of the level of audit adjustments identified in prior periods.

Audit
differences
£0.55m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account and collection fund) greater than £0.55 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Governance Committee.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including councillor allowances: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

Overview of our 2020/21 audit strategy

Audit scope

This Provisional Audit Planning Report covers the work that we plan to perform to provide you with our audit opinion on whether the consolidated and single entity financial statements of Northamptonshire County Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended.

We are also required to report by exception if we conclude that you have not put in place proper arrangements to secure value for money in your use of resources for the relevant period.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this Audit Planning Report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditor's assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of the Council's audit, we will discuss these with management as to the impact on the scale fee.

Engagement risk

In previous years, we have designated the audit of Northamptonshire County Council as close monitoring, which has required additional safeguards to be in place and enhanced audit communications with those charged with governance. As a result of the demise of the organisation and end of appointment of the Special Commissioners, the creation of the Children's Trust during 2020/21, and based on our experience of auditing prior years, we have reassessed the engagement risk and reduced the risk level to Higher risk. We plan to retain the involvement of an Engagement Quality Review Partner, Associate Partner and Senior Manager on the audit, and will continue to involve specialists where appropriate in our planned audit procedures.



02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>Risk of fraud in revenue and expenditure recognition - incorrect capitalisation of revenue expenditure*</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact</p> <p>Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the expenditure reported in the accounts and assets in the balance sheet, reducing expenditure and increasing assets.</p> <p>Amounts reported in the draft financial statements are:</p> <p>Gross Expenditure (cost of services): £1,048 million</p> <p>Capital additions: £44.4 million</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>A key way to improve the revenue position is through the inappropriate capitalisation of revenue expenditure.</p> <p>The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.</p>	<p>We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the incorrect capitalisation of revenue expenditure:</p> <ul style="list-style-type: none"> ➤ For significant additions, we will examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16. ➤ As part of our journal testing strategy, we will use our analytics data to identify unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure/ capital additions and the credit to expenditure. We will review these journals to ensure they are appropriate.

Our response to significant risks (continued)

Risk of fraud in revenue and expenditure recognition - Incorrect classification of revenue expenditure funded by capital under statute (REFCUS)*

Financial statement impact

Misstatements that occur in relation to the financing of revenue expenditure from capital could affect the comprehensive income and expenditure account and the balance sheet by reducing the level of revenue expenditure in year needing to be funded from revenue sources.

Amount reported in the prior year financial statements was:

REFCUS £19.7 million

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

By incorrectly classifying expenditure as REFCUS, the Council could improve the reported revenue position.

What will we do?

We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the incorrect classification of expenditure as revenue expenditure funded by capital under statute (REFCUS):

- Test a sample of REFCUS items at a lower testing threshold to verify that they have been appropriately classified as REFCUS.

Our response to significant risks

<p>Risk of fraud in revenue and expenditure recognition - incorrect application of cut-off</p>	<p>What is the risk?</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We have assessed that an area open to a greater risk of manipulation is in the inappropriate application of cut-off such that expenditure related to the 2020/21 financial year is borne by the successor bodies.</p> <p>We have also identified a risk relating to the omission of expenditure accruals and overstatement of year end debtor balances to again improve the reported outturn. We have identified the manipulation of year end debtor and creditor balances as the most likely means to impact the reported income and expenditure positions, rather than in year income and expenditure postings.</p>	<p>What will we do?</p> <p>We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the incorrect application of cut-off:</p> <ul style="list-style-type: none"> ➤ Extend our cut-off procedures to ensure items of expenditure is recorded in the correct year; ➤ Test year-end debtors and creditors at a lower testing threshold to verify they have been recorded at the appropriate amount and in the correct year; ➤ Extend our testing of unrecorded liabilities.
<p>Financial statement impact</p> <p>Misstatements that occur in relation to the financing of revenue expenditure from capital could affect the comprehensive income and expenditure account and the balance sheet by reducing the level of revenue expenditure in year needing to be funded from revenue sources.</p> <p>Amounts reported in the draft financial statements are:</p> <p>Gross Income (cost of services): £634 million</p> <p>Gross Expenditure (cost of services): £1,048 million</p>		

Our response to significant risks (continued)

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

We will perform mandatory procedures to address the general risk of fraud, regardless of specifically identified fraud risks. These include:

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Assessing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for any significant unusual transactions.

Significant risk

Valuation and accounting treatment of One Angel Square

Financial statement impact

Misstatements that occur in relation to the valuation of land and buildings could affect the balance sheet by materially misstating the valuation of these assets. They may also impact on the income and expenditure account through the impact on depreciation charges.

What is the risk?

The Council completed the construction of a new purpose built headquarters building in the centre of Northampton in 2017. It subsequently completed a sale and leaseback of this asset on 18 April 2018, with the asset valued at fair value at 31 March 2019.

The Council have revalued One Angel Square during 2020/21. The valuation approach has been changed to Depreciated Replacement Cost, this is typically applied for specialised operational assets for which an active market does not exist.

We have identified a risk concerning the valuation of One Angel Square as this is a significant asset for the Council with a material value and the valuation approach has changed.

What will we do?

We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the valuation of One Angel Square:

- Work with our internal valuation specialists to assess the reasonableness of the valuation, including:
 - Understanding the scope of the work performed by management's specialist;
 - Evaluating the qualifications, experience and independence of the specialist;
 - Evaluating the reasonableness of the methodology applied in the valuation;
 - Testing significant assumptions and inputs;
 - Evaluating the overall reasonableness of the valuation; and
 - Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus (continued)

What is the risk/area of focus?

Valuation of property, plant and equipment, including investment property

The fair value of land and buildings represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We will specifically focus on assets where a higher degree of estimation uncertainty exists; which for Northamptonshire County Council is those assets valued in year under one of the following valuation methods:

- Fair Value (such as investment properties);
- Depreciated Replacement Cost (specialised operational assets for which an active market does not exist); and
- Existing Use Value (operational assets for which there is an active market to provide comparable evidence)

Our assessment is that this risk is linked to other land and buildings due to the range of valuation bases and assumptions included within that balance, and to investment properties.

What will we do?

We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the valuation of property, including investment properties:

- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation;
- Consider the annual cycle of valuations to ensure that assets have been valued within an appropriate timescale.
- Consider any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Test valuation assumptions used by the valuer for a sample of assets;
- Review assets not subject to valuation in 2020/21 to confirm that the asset base not subject to in year valuation is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements.

We may, depending on our initial findings, engage EY valuation specialists to assist the audit team to review a sample of assets valuations.

Other areas of audit focus (continued)

What is the risk/area of focus?

Valuation of defined benefit pension liability

The Local Authority Accounting Code of Practice and IAS 19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. This balance in the published final 2019/20 financial statements totalled £434 million.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Council by the Council's actuary.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the valuation of the pension net liability:

- Liaise with the audit team of the Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Northamptonshire County Council. Note that the audit of the Pension Fund is also performed by EY;
- Assess the work of the Pension Fund actuary (Hymans Robertson), including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- Evaluating the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.

Our response to significant risks (continued)

What is the risk?

Going concern disclosures

Covid-19 has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently not a clear statement of government financial support that covers all financial consequences of Covid-19.

CIPFA's Code of Practice on Local Council Accounting in the United Kingdom 2020/21 states that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The going concern auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard is effective for the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern.

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

What will we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of future government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.

We will review the going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We will consider whether they include necessary disclosures regarding any material uncertainties that do exist.

We will consider whether these disclosures also include details of the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).

Our audit procedures to review these will include consideration of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting;
- Sensitivities and stress testing;
- Challenge of management's assessment, by thorough testing of the supporting evidence and consideration of the risk of management bias.; and
- Continuation of services post local government reorganisation

In undertaking this work, we will take into account the Council ceased to exist on 31 March 2021. The going concern assessment will therefore focus on the service continuity provided by the two new Unitary Councils. We will review the Council's going concern assessment and disclosure for 2020/21 in line with auditing requirements and consider in particular the Council's consideration and disclosure of the impact on the future financial position of the new Unitary Councils as a result of Covid-19 and the local government reorganisation.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Private Finance Initiative</p> <p>The Local Authority Accounting Code of Practice requires that PFI (Private Finance Initiative) schemes should be accounted for on the basis of IFRIC 12 "Service Concessions".</p> <p>The Council's total future obligation in relation to its PFI schemes as at 31 March 2021 is £992 million. These values are derived from complex models which reflects a number of assumptions which may change over the life of the contract. Any errors in the model could impact on liabilities and any charges to revenue in year.</p> <p>The Council renegotiated the Shaw PFI contract during 2020/21. We understand the initial contract included provision of social care services, this element has been removed on renegotiation.</p>	<p>What will we do?</p> <p>We will:</p> <ul style="list-style-type: none"> ➤ Confirm our understanding of the process of how the PFI models are maintained and updated; including how the output of the models are included within the Council's financial statement closing processes; ➤ Identify those inputs to the model which are estimates and undertake audit procedures to gain assurance over the reasonableness of these estimates; ➤ Engage EY's internal specialists to review the change to the Shaw PFI model to ensure the inputs and accounting are in line with our expectations; and ➤ Confirm that year end journal entries in relation to the PFI schemes have been processed accurately.
<p>Transfer to Northamptonshire Children's Trust</p> <p>In 2019, Northamptonshire County Council children's social care services were placed under a "Direction" by the Department for Education for the Council to work with the Secretary of State for Education and/or the Children's Services Commissioner towards the establishment of a council wholly-owned Children's Trust.</p> <p>Northamptonshire Children's Trust was established on the 1st November 2020 to deliver children's social care services on behalf of the Council.</p> <p>For 2020/21, the ownership of the Children's Trust is retained by the County Council.</p> <p>There is a risk that the accounting for the transfer of services from the standalone County Council financial statements and the subsequent consolidation of the Children's Trust into County Council Group Financial Statements, could be misstated.</p>	<p>What will we do?</p> <p>We will:</p> <ul style="list-style-type: none"> ➤ Review the accounting for the transfer of the Trust and any associated assets and liabilities; ➤ Assess and review the procedures in place to prepare consolidated group financial statements; and ➤ Test the transactions performed as part of the consolidation and review the presentation of required disclosures. <p>At the time of writing this provisional plan, the Children's Trust has not appointed an external auditor. We are therefore unable to finalise the planning of the procedures we will perform to obtain assurance on the component's financial figures to 31 March 2021 at this stage. If an auditor is not appointed this could result in significant additional work being required as we will not be able to place reliance on assurances from the Trust's auditors.</p>

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Accounting for covid related Government grants

The Council received a significant level of government funding in relation to Covid. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions.

What will we do?

We will:

- ▶ Review the Council's decision for new grant or funding arrangements on whether it is acting as principal or agent;
- ▶ Review whether any initial conditions are attached to grants impacting their recognition;
- ▶ Assess whether the accounting appropriately follows those judgements; and
- ▶ Check the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.



03

Value for money risks



Value for money

Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

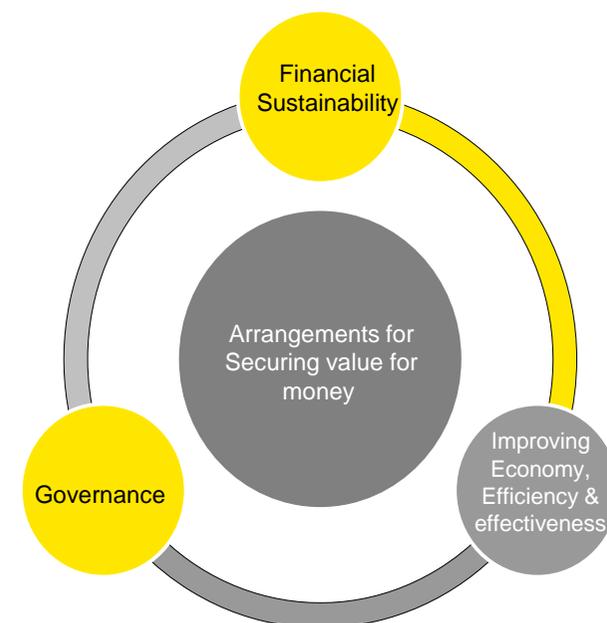
Under the revised 2020 Code of Audit Practice, we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on.

Instead, the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ **Financial sustainability**
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ **Governance**
How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ **Improving economy, efficiency and effectiveness**
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Following consultation with the National Audit Office, under whose guidance our value for money work is performed, we are intending to reflect the particular circumstances of the Council as a demised body by providing a single commentary on arrangements covering all of the demised bodies whose functions transferred to North Northamptonshire Council and West Northamptonshire Council. This commentary will highlight, as appropriate, specific observations applicable to individual demised bodies including Northamptonshire County Council.





Value for money risks

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to the 2015 Code of Audit Practice guidance notes where the NAO required auditors, as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates (such as Ofsted) and other bodies; and
- ▶ Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or
- ▶ Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made, including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.



Value for money risks

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Governance Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to also include commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the attention of the Council or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Following consultation with the National Audit Office, we are intending to reflect the particular circumstances of the Council as a demised body by providing a single commentary on arrangements covering all of the demised bodies whose functions transferred to North Northamptonshire Council and West Northamptonshire Council. This commentary will highlight, as appropriate, specific observations applicable to individual demised bodies including Northamptonshire County Council.

Status of our 2020/21 VFM planning

We have completed our preliminary assessment of the Council against the revised criteria of the 2020 Code and have identified two risks of significant weakness in the Council's arrangements to secure value for money through economic, efficient and effective use of its resources during 2020/21. We provide further details of these risks on the following pages.

We will continue to update our understanding of the Council's arrangements and evaluate them against the criteria of the 2020 Code during the course of our audit, and will report to the Audit and Governance Committee if we identify any further risks of significant weakness in the Council's arrangements.



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>Children’s Services:</p> <p>Inspections of Children’s Services undertaken by Ofsted in 2016 and 2018 assessed the service as ‘requires improvement’ in all areas.</p> <p>Ofsted undertook one inspection during 2019/20, in June 2019. The Council were rated inadequate in 3 of the 4 areas of inspection. The Ofsted report stated <i>“Northamptonshire’s Children’s Services are failing to keep children safe. While some progress has been made since the Ofsted focused visit in October 2018, there remains a range of significant weaknesses in services whose effectiveness is central to protecting children”</i>.</p> <p>A revised Statutory Direction was issued to Northamptonshire County Council on 10 June 2019 due to continued poor performance in children's social care services. This included a Direction for the Council to work with the Secretary of State for Education and/or the Children’s Services Commissioner towards the establishment of a wholly owned Council company for the delivery of Children’s social care services (or Children’s Services trust) in Northamptonshire.</p> <p>Northamptonshire Children’s Trust was established on the 1st November 2020 to deliver children’s social care services on behalf of the Council.</p>	<p>Take informed decisions</p>	<p>Our approach will focus on reviewing the Council’s progress to address the weaknesses in Children’s Services during 2020/21.</p> <p>As part of this we will consider:</p> <ul style="list-style-type: none"> ➤ Whether or not the Council made progress against the Northamptonshire Children’s Improvement Plan; ➤ The impact of the actions taken by the Council to respond to the report findings and improve the performance of the service by reference to any external or internal reviews; and ➤ The Council’s arrangements to established and monitor the delivery of Children’s social care services by the Northamptonshire Children’s Trust.



Value for Money Risks

What is the significant value for money risk?

Risk management:

The Council had a history of weaknesses in its risk management framework. We concluded, in 2018/19 and 2019/20, that there were significant weaknesses in arrangements and qualified our value for money conclusion in this respect.

The Council has a risk register and has considered specific controls to mitigate the risks identified. Review of the risk registers presented to the Council in prior years however identified flaws and lack of detail in the risks and controls. For example, risks were not sufficiently detailed and it was unclear which controls are intended to address which risks. In addition, the Council had not documented any consideration of the effectiveness of the deployed controls, nor indicated how the adequacy assessment was made. Internal Audit's review of the Corporate Risk Register in 2019/20 found some of the risks were missing triggers and there were omissions from the control environment.

This results in a risk that failure to properly identify, address and monitor risks will limit the Council's ability to make informed decisions and deploy resources sustainably.

What arrangements does the risk affect?

Take informed decisions /
Deploy resources in a sustainable manner

What will we do?

Our approach will focus on reviewing the arrangements at the Council during 2020/21.

As part of this we will consider:

- Whether or not the risk registers were effectively maintained by the Council, and reviewed and updated on a regular basis;
- Whether risks were sufficiently detailed concerning the controls intended to address the risks;
- How the Council addressed risk management weaknesses identified by Internal Audit in 2019/20, and
- Identifying and obtaining evidence of how training is provided to staff on the risk management framework.



04

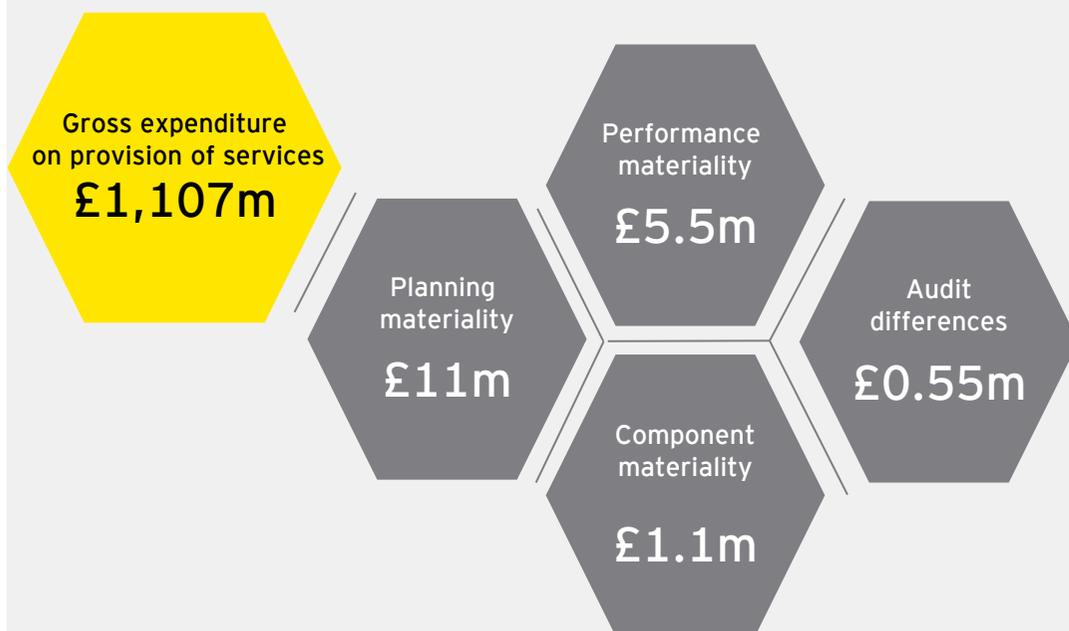
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £11 million. This represents 1% of the Council's draft gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



* Note for the purposes of determining materiality we consider certain elements of financing and investment income, such as interest cost and return on plan assets for pensions, on a net basis whilst the financial statements present these amounts gross.

We request that the Audit and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £5.5 million, which represents 50% of planning materiality. We have used a 50% threshold as we have identified misstatements in the two prior year audits.

Component performance materiality range - we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Governance Committee, or are important from a qualitative perspective.

Specific materiality - We will set a lower level of materiality for the following: Audit Fees, Members Allowances, Officers Remunerations (including severance payments, exit packages and termination benefits) and related party transactions. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



05

Scope of our audit



Our Audit Process and Strategy

Objective and scope

Under the Code of Audit Practice, our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2020/21, we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Governance Committee.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements; or
- 2. Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

Scoping by Entity

Our preliminary audit scopes that we have determined are set out below. Note that these apply only for the purposes of the consolidated financial statements.



Scope definitions

Full scope: components where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. In this case, the procedures performed will also support our opinion on the Council's stand-alone financial statements.

Northamptonshire Children's Trust

Our preliminary review of management information relating to Northamptonshire Children's Trust, indicates that we expect the component will report 6-10% of the Group's expenditure.

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

- We provide specific instruction to component team and our expectations regarding the detailed procedures;
- We set up initial meeting with component team to discuss the content of the group instructions;
- We will consider the need to perform a file review of component team's work where appropriate; and
- We will attend a closing meeting with component team to discuss their audit procedures and findings.



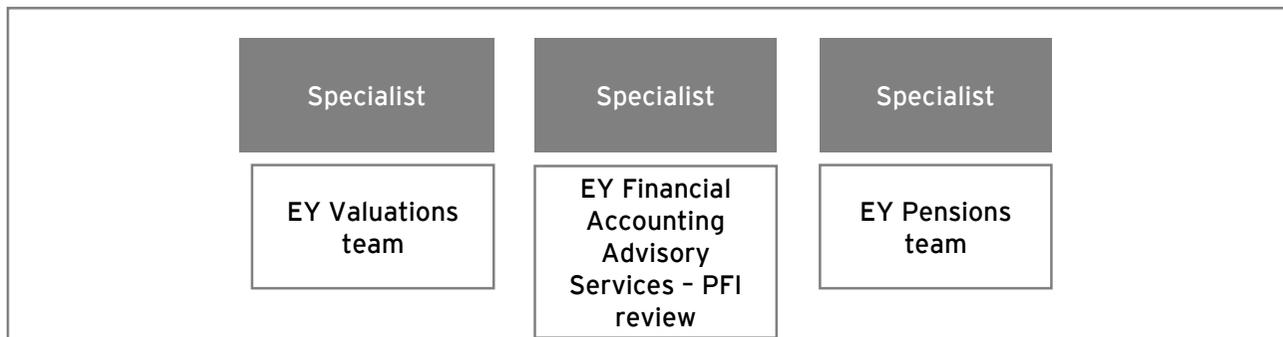
06

Audit team



Audit team

Audit team structure:



* Key Audit Partner

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of land and buildings including investment properties	EY Valuations Team (review of One Angel Square valuation, additional scope will depend on initial audit team findings), Northamptonshire County Council external valuers (WHE) (management specialist)
Pensions disclosure	EY Actuaries / PwC as consulting actuaries/ Council's actuaries (Hymans Robertson)
PFI	EY Internal PFI Specialist
MRP calculation	EY internal MRP specialist (depending on initial findings)
Fair Value Investment Measurement	Link (management specialist)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Trust's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07

Audit timeline





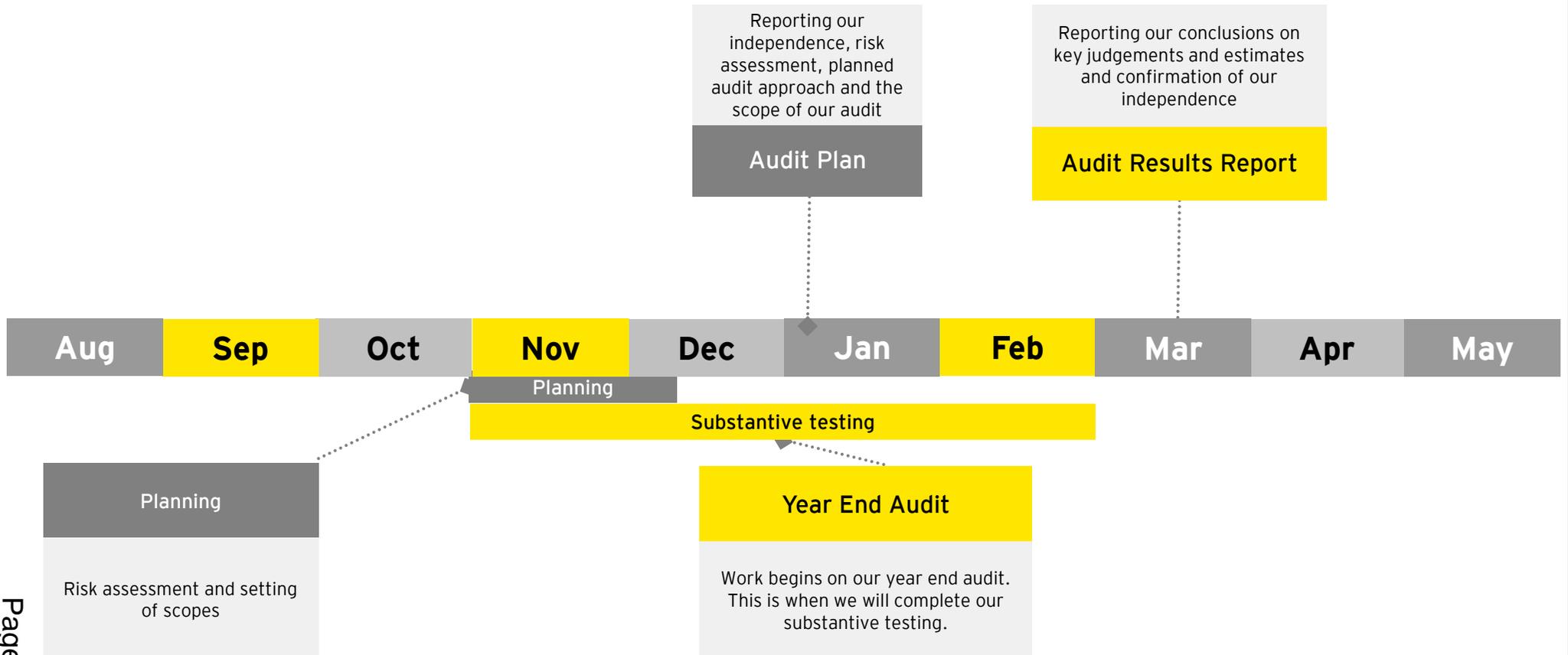
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Audit and Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and processes within EY to maintain objectivity and independence; and ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

New UK independence standard

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it applies to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard is a general prohibition on the provision of non-audit services by the auditor (and its network) which applies to UK Public Interest Entities (PIEs). A narrow list of permitted services continues to be allowed.

Summary of key changes

- ▶ Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates;
- ▶ A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries;
- ▶ A narrow list of permitted services where closely related to the audit and/or required by law or regulation;
- ▶ Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - ▶ Tax advocacy services
 - ▶ Remuneration advisory services
 - ▶ Internal audit services
 - ▶ Secondment/loan staff arrangements
- ▶ An absolute prohibition on contingent fees;
- ▶ Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential;
- ▶ Permitted services required by law or regulation will not be subject to the 70% fee cap;
- ▶ Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms;
- ▶ A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards; and
- ▶ A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under the FRC Revised Ethical Standard 2019.

We do not currently provide any non-audit services which would be prohibited under the new standard.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Janet Dawson, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your Council. Examples include where we have an investment in related companies; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees, non-audit fees or business relationships and therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Relationships, services and related threats and safeguards

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended July 2021:

[EY UK 2021 Transparency Report | EY UK](#)



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	2020/21	2019/20	2018/19
	£	£	£
Scale Fee - Code work (note 1)	105,998	105,998	105,998
Scale Fee Variation submitted to PSAA	TBC	TBC	691,459
Other non-audit services	0	0	0
Total fees	TBC	TBC	797,457

All fees exclude VAT

The fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Note 1

For the 2018/19 audit, we agreed with PSAA that we would agree an amended scale fee to reflect the level of additional risk in the audit. We have calculated this amended scale fee based on the overall level of increased risk as well the specific risks we identified. Based on the level of risk identified and difficulties encountered we have submitted the fee in the table to PSAA for their approval; this was done following agreement with the Council Section 151 Officer and Commissioners.

For 2019/20 and 2020/21, we will follow the same process. Our work on the 2019/20 financial statements, indicated that less time will be required to complete the 2020/21 audit than in 2018/19. Due to the quick turnaround between the completion of the 2019/20 and commencement of the 2020/21 audits, we are yet to finalise our fee proposals for 2019/20, but will update management on this area as soon as possible. We will submit a fee variation for 2020/21 once our audit is complete and will keep officers and the Committee updated on this process.

We have set out on the next page some of the key risks which we have identified at planning stage will result in additional work and therefore an increase in the fee. Additional issues may be identified during the course of the audit which will impact on the fee.

Fees (continued)

The issues we have identified at the planning stage which will impact on the fee include:

- Due to the high volume of errors and issues encountered in 2018/19 and to a lesser extent in 2019/20, our performance materiality threshold, the level that directs our sample sizes, will remain at 50% of planning materiality. This is consistent with the prior year, but for many audits we retain the option to increase this threshold and, as such, reduce our sample sizes.
- The need for the appointment of a Partner as the Engagement Lead on the audit as well as an Associate Partner and Senior Manager. This is to reflect the risk profile and the complexity of the issues expected on the audit as well as the expected volume of work and senior management engagement.
- The need for the appointment of a Partner as Engagement Quality Reviewer to reflect the risk profile.
- The need for additional internal consultation in relation to higher risk areas of the audit such going concern assessment and disclosures and the value for money conclusion.
- Additional work required by the engagement team to address the significant and inherent risks identified in this Plan:
 - Valuation of land and buildings and investment properties
 - Risk of fraud in revenue and expenditure recognition
 - Inappropriate capitalisation of revenue expenditure
 - Inappropriate classification of expenditure as revenue expenditure funded by capital under statute
 - Incorrect application of cut-off
- Additional work, including the use of EY specialists to review the following areas:
 - Valuation of land and buildings and investment properties, including One Angel Square and other properties (if required)
 - Review of amendments in PFI arrangements and disclosures
 - Valuation of the net pension liability
 - MRP policy (if required)
- Additional work to address the value for money risks identified.
- Additional work to address the impact of Covid-19 on the disclosures in the Council's accounts related to going concern and in relation to accounting for covid related Government grants.
- The transfer of services to the Children's Trust and group audit procedures.
- In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

Appendix B

Required communications with the Audit and Governance Committee

We have detailed below the communications that we must provide to the Audit and Governance Committee.



Our Reporting to you

Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The Statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The Statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Provisional Audit Planning Report (January 2022)
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; ▶ Significant difficulties, if any, encountered during the audit; ▶ Significant matters, if any, arising from the audit that were discussed with management; ▶ Written representations that we are seeking; ▶ Expected modifications to the audit report; and ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report (March 2022)
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty; ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report (March 2022)

Appendix B

Required communications with the Audit and Governance Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation; ▶ The effect of uncorrected misstatements related to prior periods; ▶ A request that any uncorrected misstatement be corrected; ▶ Corrected misstatements that are significant; and ▶ Material misstatements corrected by management 	Audit Results Report (March 2022)	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity; ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist; and ▶ A discussion of any other matters related to fraud 	Audit Results Report (March 2022)	
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management; ▶ Inappropriate authorisation and approval of transactions; ▶ Disagreement over disclosures; ▶ Non-compliance with laws and regulations; and ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report (March 2022)	
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats; ▶ Safeguards adopted and their effectiveness; ▶ An overall assessment of threats and safeguards; and ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Provisional Audit Planning Report (January 2022); and Audit Results Report (March 2022)	

Appendix B

Required communications with the Audit and Governance Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations; and ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report (March 2022)	
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off; and ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of. 	Audit Results Report (March 2022)	
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report (March 2022)	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report (March 2022)	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report (March 2022)	
Auditors report	<ul style="list-style-type: none"> ➤ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report (March 2022)	
Fee reporting	<ul style="list-style-type: none"> ➤ Breakdown of fee information when the audit plan is agreed ➤ Breakdown of fee information at the completion of the audit ➤ Any non-audit work 	Provisional Audit Planning Report (January 2022)	
		Audit Results Report (March 2022)	

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and Council's internal control;
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting;
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- ▶ Reading other information contained in the financial statements, the Audit and Governance Committee reporting appropriately addresses matters communicated by us to the Audit and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

26 January 2022

Report Title	Northamptonshire County Council (NCC) – Annual Governance Statement (AGS) 2020/21
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Report Author	Duncan Wilkinson, Chief Internal Auditor, Duncan.wilkinson@milton-keynes.gov.uk
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Contributors/Checkers/Approvers

West MO (for West and joint papers)	Catherine Whitehead	Emailed 17 th January 2022
West S151 (for West and joint papers)	Martin Henry	11 th January 2022

List of Appendices

Appendix A – NCC AGS 2020/21

1. Purpose of Report

- 1.1. West Northants Council Audit and Governance Committee has inherited the responsibility to approve the relevant financial documents from the predecessor Northamptonshire Councils.

2. Executive Summary

- 1.2. The NCC AGS 2020/21 is attached at Appendix A

3. Recommendations

3.1 That the Committee approve the NCC AGS 2020/21 as attached at Appendix A

4. Reason for Recommendations (NOTE: this section is mandatory and must be completed)

4.1 The Council's Financial Accounts must include an Annual Governance Statement when published. With the closure of predecessor Councils the WNC AGC has inherited the responsibility of approving those documents.

5. Report Background

5.1 The guidance for Annual Governance Statements provides that it should focus on the financial period for the published accounts (ie 1st April 2020 to 31st March 2021) and provide a summary of the controls and governance etc operating throughout that period. It should also provide some narrative for anticipated, significant issues for the period following the year end.

5.2 External Auditors also request that it include any significant post year end issue or event until formally published with the Accounts.

5.3 The AGS therefore is drafted to focus on the 2020/21 financial period but also includes some reference to more recent issues as appropriate.

6. Issues and Choices

6.1 With the closure of the predecessor Councils the WNC AGC must consider and approve various documents that would have been considered by each of the predecessor Councils. It must be recognised that the WNC AGC will not have the same level of organisational understanding as those predecessor Audit Committees.

6.2 The NCC AGS for 2020/21 was drafted on behalf of the Chief Executive and the NCC Leadership Team. The draft was approved by the NCC Leadership Team in February 2021. Subsequent attempts to refresh that prior to the closure NCC were not successful.

6.3 The AGS approved by NCC NLT has therefore been updated to reflect known key issues and is attached at Appendix A.

6.4 It is highlighted that the absence / departure of the key NCC senior officers after 1st April 2021 prevents the usual processes of evolving the AGS via the relevant Leadership Team officers.

7. Implications (including financial implications)

7.1 Resources and Financial

7.1.1 None

7.2 **Legal**

7.2.1 The approval of the AGS and its publication with the audited Accounts ensures the Council properly discharges the Accounts and Audit Regs.

7.3 **Risk**

7.3.1 None

7.4 **Consultation**

7.4.1 None required

7.5 **Consideration by Overview and Scrutiny**

7.5.1 None required

7.6 **Climate Impact**

7.6.1 None

7.7 **Community Impact**

7.7.1 None

8. Background Papers

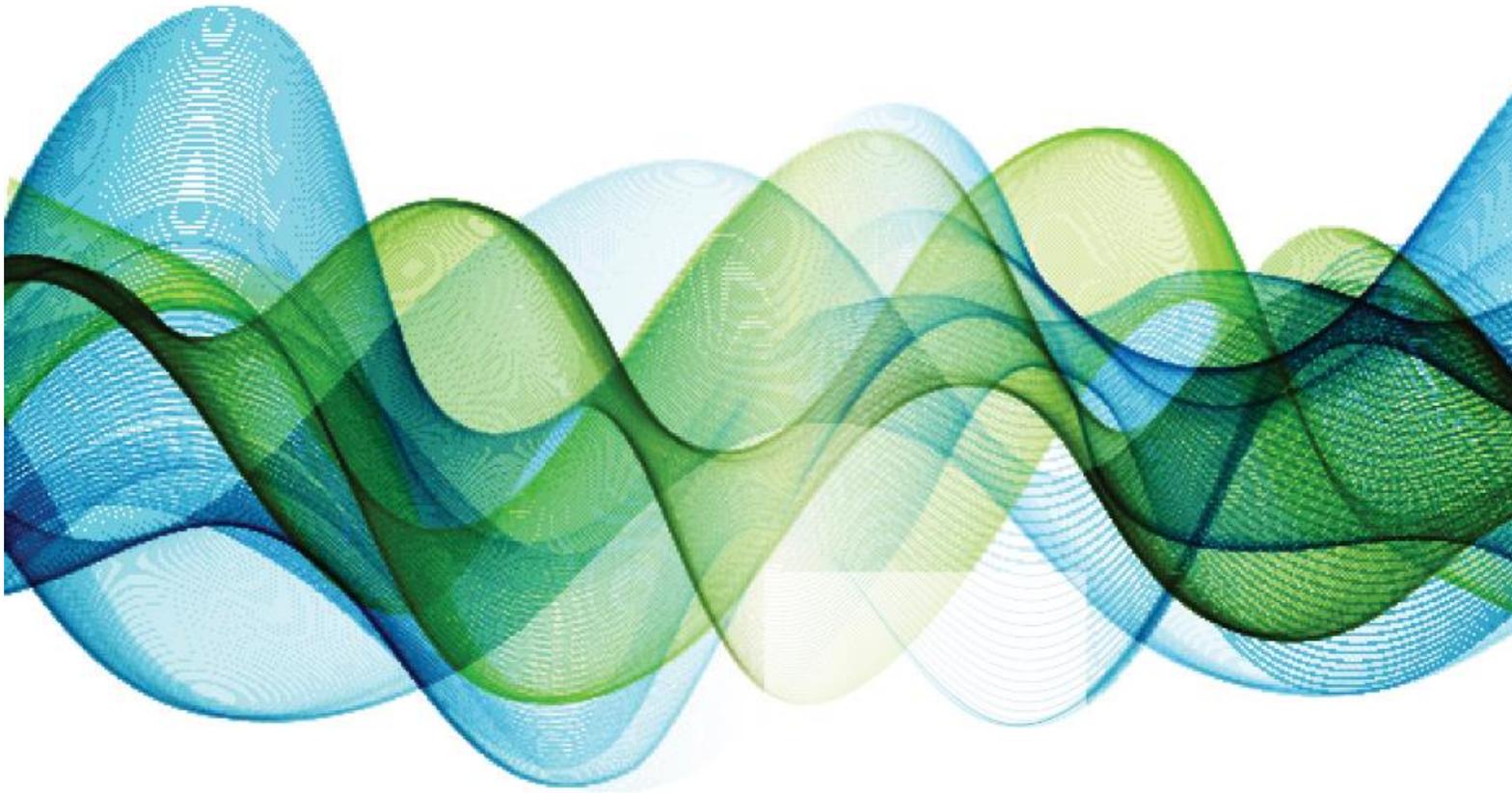
8.1 None

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Northamptonshire
County Council

Annual Governance Statement



Date Issued

December 2021

Prepared by

Duncan Wilkinson
Chief Internal Auditor

Context

The Annual Governance Statement has been produced in the context of the increased public scrutiny of the council following the Government Commissioned [Best Value Inspection Report](#) by Max Caller of 15th March 2018, the [s114 notice](#) of 22nd February 2018 and subsequently on the 24th July 2018, the appointment of Commissioners by the Secretary of State on 10th May 2018 and of a Children's Commissioner in October 2018 .

In appointing Commissioners the Secretary of State referred to the need to:

- rebuild the governance capacity of the Authority, addressing the historic culture of poor governance – both from the political leadership team and the senior executive group – and discouragement of challenge and scrutiny, that is acting as a hindrance to compliance with the best value duty under Part I of the 1999 Act; and
- to secure as soon as practicable that the Authority's financial management is exercised in conformity with the best value duty thereby delivering improvements in services and outcomes for the people of Northamptonshire.

The Commissioners shall exercise:

- All functions associated with the governance and scrutiny of strategic decision making by the Authority
- All functions associated with the strategic financial management and budgetary control of the Authority.

There is a strong link between effective governance and effective service commissioning and delivery. In order to deliver the Council's ambitions, put it on a more sustainable financial footing, address the issues raised within the BV inspection report and the s114 notice, Northamptonshire County Council requires improved governance arrangements to be in place.

Good governance ensures that an organisation is doing the right things, in the right way and for the right people. With the significant challenges arising from the Council's financial position, continued significant reductions in our funding, coupled with increasing demand on critical services and the Northamptonshire Local Government Reform agenda this has never been more important.

The need to recognise governance weaknesses is an essential element of responding effectively to the above issues and the 2020/21 Annual Governance Statement has provided a focus for that across the spectrum of Council services and operations.

Significant weaknesses were recognised in 2017-18 and robust action taken through 2018 2019/20 and into 2020/21 to honestly and publicly acknowledge those weaknesses, together with robust action to address them. This transparency demonstrates the unwavering commitment to resolve the issues but it is not a 'quick fix' and the Council is realistic that it faces continuing challenges with a determination to meet and resolve these in the best interests of its customers and all residents across the County

In light of the poor Ofsted inspection in 2018/2019, the Secretary of State for Education approved the establishment of a Children's Trust. In a subsequent focused Ofsted inspection in 2019/20 it stated that 'no child in Northamptonshire was at risk' and recognised green shoots of improvement. The Children's Trust went live on 1st November 2020.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment in operation within Northamptonshire County Council in that the assessment has concluded that, 2019-20 provided demonstrable improvement and that journey of improvement has continued through 2020-21 towards a sustainable basis for the new Northamptonshire Unitary Councils.

We are satisfied that there are appropriate plans in place to demonstrably address the weaknesses and ensure continuous improvement in the system of internal control, together with monitoring arrangements to ensure delivery and transparency.

The Leader, Chief Executive and Leadership Team were advised of the implications of the results of the review of the effectiveness of the Council's governance framework and agreed this AGS in February 2021. Only minor amendments have been made subsequently reflecting issues after that.

Scope of Responsibility

Northamptonshire County Council (the 'Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council's Code of Corporate Governance has been reviewed and its provisions still apply consistently with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.. A copy of the Code of Corporate Governance is available on our website at:

<http://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/performance-and-plans/Pages/code-of-corporate-governance.aspx>

This Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of regulation 6 (1) (B) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its priority outcomes and to consider whether those have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, core purpose and priority outcomes and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, core purpose and customer outcomes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework was in place at the Council for the year ended 31 March 2021 and up to the date of publication of the Annual Report and Statement of Accounts.

In the light of the Best Value Report and s114 Notices and new Unitary Councils, the Code of Corporate Governance ensured the 'policy or framework' issues remained effective throughout the challenging change agenda to 2021 to be reviewed and consolidated within the new Unitary Councils.

The Governance Framework

The key elements of the systems and processes that comprised the Council's governance arrangements for 2020/21 are described below:

Creating and Implementing a Vision

Good governance means developing and clearly communicating the Council's purpose and vision and the outcomes it is seeking to deliver to the local area. The following describes how the Council achieved this:

- The Council regularly undertook detailed consultation with its communities to inform the production of the Council Plan which was recently refreshed.

The Council engaged with other public services in Northamptonshire through a range of bodies, including the Northamptonshire Health & Wellbeing Board, which has representatives from all public bodies in the county. Similarly, there are statutory bodies such as the Joint Safeguarding Boards, for both Children's and Adults where all appropriate bodies are represented.

- The Council had a three year Plan which was reviewed annually by Cabinet and formally approved by full Council. The Council Plan published for 2019-21 defines its overarching direction of travel and can be seen at:

<https://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/performance-and-plans/Pages/the-council-plan.aspx>

The key themes outlined in the plan are:

- The future of public services in the county, which means our lifespan as an organisation is potentially limited and we need to focus on those statutory services which are important to residents
 - The financial constraints in which we operate, and the need to live within our financial means
 - The imperative to make services sustainable, so that, regardless of the shape organisations in the county take, vital services for our residents are affordable.
- The Transformation Strategy approved by Full Council at the end of 2018 set out the steps to stabilise our finances, transform our services, and transition into new organisational structures.

At the heart of our desire to transform were the following considerations:

- We are focusing on enabling individuals and communities to achieve better outcomes
- Whenever possible, we co-design and co-deliver services with partners and communities
- We innovate to find better and more sustainable ways of delivering services
- We focus precious resources where they have the biggest impact, in preventing need and intervening early
- The new service models are designed to be scalable and affordable in the long term
- We use technology and digital solutions to help meet the needs of residents
- We commission and procure services and goods with partners, to get the best return for the Northamptonshire pound

- We use our properties to maximise occupancy levels, generate income and manage costs
 - Those that have a role to play, internally and externally, are engaged, have a voice and contribute to the transformation of services
 - Changes take into account equality gaps and mitigate impact, so that we reduce inequalities and disparity of opportunities.
- To ensure the Council delivered its plans, it operated a performance management framework which comprises:
 - The Council Plan
 - Personal performance and development plans for all staff
 - Statements of required practice, which govern management practice in the Council, including the management of performance against plans
 - Revenue and capital financial management and reporting
 - Clear programme gateway process and project management statement of required practice
 - The council also operates a Programme Management Office, to manage programme delivery.
 - The Council operated a Value for Money strategy with the objective of delivering better public services in the best possible way in line with the priorities of local people using the resources available. Value for money is a key consideration in all of the Council's key business processes. A transformation strategy was subsequently created to achieve this as part of the Transformation agenda.
 - On a monthly basis review of performance standards was undertaken at directorate and service levels. On a quarterly basis overall performance was reported to the Management Team chaired by the Chief Executive, and the Cabinet. The details are in the public domain and published on the County Council's website.
 - Communication of the council's intentions was delivered through proactive coverage in the local media, through the council's website and social media channels to seek to obtain the public's view on various issues. Regular internal communication with all staff has taken place, including emails from the Chief Executive to all staff and a weekly e-bulletin.

In May 2019 the Government decided that replacing all eight councils in Northamptonshire with two brand new unitary authorities is in the best interests of local residents. One authority will provide services to residents in the west of the county, while the other will provide services in the north of the county.

The Future Northants Programme was set up to ensure the legal and safe creation of two new councils with effect from April 2021.

Roles and Responsibilities of Members and Officers

Good governance means elected members and officers working together to achieve a common purpose with clearly defined functions and roles. The following describes how the Council achieved this:

- The Council was composed of 57 members elected every four years. All members met together as the Council. The Council operated a Cabinet and elected Leader model of decision making, supported by open and accountable working relationships between members and officers.
- The Council had an agreed Constitution which sets out how it operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. This includes the defined responsibility for functions including the scheme of delegation, rules of procedure including financial regulations and contract procedure rules and Member and Officer Codes of conduct. The full Council appoints a Leader of the Council for a four year term who then appoints a Cabinet as the Council's Executive. Overview and Scrutiny committees hold the Cabinet to account.
- The Council's Management Team included the Chief Executive, Corporate Directors, the Executive Finance Director (S151 Officer) and General Counsel (including Monitoring Officer duties).
- The Council had in place policies and procedures to ensure that, as far as possible, its elected members and officers understand their respective responsibilities. New members and employees receive induction and continued training on key policies and procedures as these are developed within the Council.
- All Directors and Assistant Directors had responsibility for maintaining a sound system of internal control within their area of responsibility and provide an Assurance Statement either confirming the adequacy of the governance arrangements in their area or highlight those weaknesses to be addressed.

Standards of Conduct and Behaviour

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieved this:

- A Standards Committee was in place to review any complaints regarding members and to promote high standards of conduct and observance of the Members' Code of Conduct. Allegations of breaches of the Code of Conduct by individual councillors were considered by the Council's Monitoring Officer in consultation with an independent person appointed by the Council. Where it was determined by the Monitoring Officer that there is evidence of a failure to comply with the Code of Conduct, the Standards Committee would hold a hearing into the allegation.
- The Council had a local Code of Corporate Governance. This Code demonstrates a commitment to the principles of good governance and the importance of operating in an open and accountable manner while demonstrating high standards of conduct.

- The Councillor Code of Conduct defines the standards of conduct expected of elected representatives including a requirement for members to declare any interests at the start of every meeting, which are recorded in a public register.
- The Employee Code of Conduct sets out managers' responsibilities to bring the Code to the attention of their staff (through induction, training and instruction) and their responsibility to take appropriate action if an employee fails to follow the Code. The Code includes a requirement for officers of the Council to declare any conflicts of interest and/or gifts or hospitality, which should be formally registered.
- The Council maintained Anti-Fraud and Corruption, Whistleblowing, and Money Laundering policies which are scheduled for review in 2021 by the new Councils.
- The Council's financial management was conducted in accordance with the Budget and Policy Framework Procedure Rules, Financial Procedure Rules and Contract Procedure Rules. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place.
- Full Council approved a budget before the start of each financial year. This includes the Medium Term Financial Plan. During the year, financial management information is reported to Directorate Management Teams, Management Team, Cabinet and Scrutiny.
- The Chief Financial Officer role, required by Section 151 of the Local Government Act 1972 and other relevant legislation, is fulfilled by the Executive Finance Director, who is responsible for the preparation and publication of the Council's Statement of Accounts and ensures that they conform to all statutory and professional requirements, codes of practice and deadlines. The S151 Officer is a member of the Management Team and has direct access to the Chief Executive as appropriate.
- The Council implemented additional spend controls following the issuing of the s114 notice in July 2018. Whilst the 114 Notice was removed with effect from April 2019 the spend controls remained in place until the summer of 2020 to provide the level of financial scrutiny and control required by the s151 Officer.
- The S151 Officer was responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.

Decision Making, Scrutiny and Risk Management

Good governance means taking informed and transparent decisions that are effectively scrutinised and managing risk. The following describes how the Council achieved this:

- The Leader and Cabinet were responsible both individually and collectively for all executive decisions. Operational matters requiring a decision are delegated to Council officers as outlined in Part Three of the Constitution – Responsibility for Functions.
- Forthcoming key decisions by the Cabinet were published in the Cabinet's Forward Plan. The Forward Plan is reviewed on a monthly basis by the Corporate Leadership Team and the Scrutiny Management Committee.
- Following a review by the Centre for Public Scrutiny, the Overview and Scrutiny Committee focuses on:

- ✓ Major savings proposals;
 - ✓ Major risks to the Council;
 - ✓ Making substantive recommendations to feed into the in-year and future budget proposals;
 - ✓ Engagement, alignment support for the financial improvement plan
 - ✓ Other statutory functions associated with the Overview and Scrutiny Committee functions, including scrutiny of health services.
- The Council maintained an Internal Audit and Risk Management Service that operates in accordance with the Public Sector Internal Audit Standard. The Chief Internal Auditor had direct access to the Chief Executive, the S151 Officer, Management Team, Members and the independent Chair of the Audit Committee.
 - The independent Chair of the Audit Committee had considerable experience in finance and financial scrutiny. The Chair also attended as an observer and on occasions as a participant at meetings of the Council.
 - The Internal Audit Service plans and prioritised its work using a risk based auditing approach and seeks to programme work based on risk, strength of control and materiality. Internal Audit makes recommendations for improving the internal control environment and part of its work includes monitoring agreed action plans. The remit of Internal Audit also included ensuring compliance with established policies and procedures, particularly financial and contract procedures. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, were submitted to senior managers, Directors, the Council's Audit Committee and where appropriate the Chief Executive.

Within the context of the s114 Notice and the Local Government Reform timetable, the IA Audit Plan is highlighted as a flexible / dynamic document that is reviewed quarterly to reflect the changing risks across the Council and enable IA resources to be redirected to reflect those emerging higher risk areas. Work programmes were reviewed in the light of the migration to Unitary Councils in 2021.

- The Council operated a risk management process underpinned by an approved Risk Management Strategy. The Council updated its Risk management policy and the Management Team refreshed its Corporate Risks, and reviewed these quarterly before reporting to Cabinet and the Audit Committee. Risks were assessed and managed by risk owners via remotely accessible software enabling collation and oversight at any time.

Developing Capacity and Capability of Members and Officers

Good governance means developing the capacity and capability of Members and Officers to be effective. The following describes how the Council achieved this:

- The Councillor Services and Governance Working Group was a cross-party group that acts as a consultation forum for all matters affecting councillors and the services provided to councillors. Its specific responsibilities included giving guidance and advice on matters relating to councillor development and training, including those matters affecting new councillors.

- A formal performance appraisal and development programme operated within the Council through which the development needs of staff are identified and met as appropriate. There was an induction programme for new staff and a full comprehensive workforce development programme delivered at all levels in the organisation.
- Councillors' right to training and development to support them in fulfilling their roles was specified in the Council's Constitution. There was an induction process for new Councillors. In-house training and development activities are organised for all Councillors or for those in particular roles to meet identified needs. Councillors also had access to external training and development opportunities.

Engaging with Local People and Stakeholders

Good governance means engaging with local people and other stakeholders to ensure robust public accountability which is achieved through continuously consulting with and engaging local people and communities in a wide range of ways on a wide range of important issues.

- The Council was fully committed to being an open, accountable and transparent local authority, which we achieve through making key documentation publicly available via the Council's website.
- The Council operated to a partnership protocol which was designed to ensure effective governance arrangements operate in partnerships in which the Council was engaged. The Council also operated a Protocol for the Appointment of Councillors and Officers to Outside Bodies.
- The Council's website included links to other local and national consultations so that local people could access as many details of consultations affecting the local area as possible from one place.
- The Council had a dedicated Freedom of Information team which ensured compliance with requests for information sought using that legislative tool.

Council Owned Companies

The direction of travel towards Northamptonshire Unitary Councils (as confirmed for 2021 in May 2019) significantly changed the strategic direction of Northamptonshire County Council (NCC). Previous Annual Governance Statements have made reference to 'the Next Generation Council model' which NCC decided to move away from as it did not deliver the expected value for money or service expectations and a decision was made to dissolve the arrangements and to move to a 'host authority' model, completed in December 2020.

In May 2019 it was confirmed that NCC services would transfer to 2 Unitary Councils in April 2021 in addition to the creation of a Children's Trust as a separate legal entity in 2020.

As at the 1 April 2020, the Council owned the following companies developed under the model which form part of the Councils' group accounts.

NORTHAMPTONSHIRE TRADING LIMITED

The Council has a controlling interest in this company, which commenced trading on 1st April 2012. The Council owned 100% of the share capital of Northamptonshire Trading Limited which in turn owns 100% of the share capital of Olympus Care Services Limited.

Northamptonshire Trading company was dissolved on 29th September 2020.

OLYMPUS CARE SERVICE LIMITED

The Council has a controlling interest in this companies, which commenced trading on 1st April 2012. The Council owns 100% of the share capital of Northamptonshire Trading Limited which in turn owns 100% of the share capital of Olympus Care Services Limited.

The purpose of Olympus Care Services Limited was to provide a range of care and support services throughout Northamptonshire for adults with disabilities and older people.

The company is not yet dissolved but has an active proposal to strike off.

FIRST FOR WELLBEING:

The Council had a 51% controlling interest in First for Wellbeing (FfW), a Community Interest Company (CIC) which commenced trading in November 2015. The purpose of First for Wellbeing was to improve the physical, emotional and social wellbeing of the people of Northamptonshire by offering an integrated health and wellbeing service.

The company was dissolved 23rd September 2021.

Others

In addition to the above the Council has the following interests but not as a controlling party:

The Council is part of a shared service arrangement providing professional, transactional and operational services both to its sovereign partners and a variety of clients. LGSS was established in October 2010.

As at May 2020, formal approval was obtained from all three partner Councils to dissolve the model, with some services to be repatriated back to the respective Councils and others to be provided on a Lead Authority model.

Also, NCC was party to a Joint Committee for LGSS Law Limited, a law firm specialising in services to the public sector, that is jointly owned with Cambridgeshire County Council and Central Bedfordshire Council

Opus LGSS People Solutions – which provides temporary staff to the Council and which was jointly owned by Opus People Solutions (52%) and Cambridgeshire County Council, Milton Keynes Council and Northamptonshire County Council (16% each).

Impact of Covid 19 on governance of the Council.

From March 2020, the significant impact of the coronavirus pandemic (Covid-19) required a rapid re-consideration of how the Council's governance structures operated, to facilitate an appropriate response.

Following the national declaration of a lockdown, the Council focused on its health response to the pandemic, invoking its business continuity and crisis management arrangements. UK regulatory guidance was revised at pace and as such the evolving Covid-19 situation posed

some practical challenges in terms of governance, transaction execution and statutory compliance commitments and heightened risk of fraud.

Examples of changes to the governance arrangements included the following:

- Elections due in May 2020 were postponed until May 2021 in line with government direction.
- the Coronavirus Act 2020 enabled all local authority meetings to be held remotely so that essential decision-making can continue. Virtual meetings were convened with a reduction in the number of meetings for some committees.
- The Council moved to Gold Command and Control and Silver Incident Management arrangements and streamlined their decision-making processes in order to respond quickly and effectively to situations as they arose.

A number of policies and procedures were amended to ensure that communities, businesses and individuals were supported through the pandemic. Examples include:

- Creation of a stand - alone local support service
- Introducing greater flexibility in procurement and contracting protocols in line with guidance from Government Procurement Policy Notes
- Accelerating payment times to support suppliers and providers
- Relaxation of end stage debt collection measures
- Relaxing of sickness absence policy trigger points in relation to absence due to Covid-19 and support to individuals with care responsibilities
- Facilitation of homeworking on a larger scale than previously

A Covid-19 incident Plan and risk register were produced by the Leadership Team to manage the risks of operational response delivery.

The appropriateness of the Council's response was monitored throughout 2020/21 along with review of appropriate time to exit these arrangements, revise current policies or re-establish standard regulatory protocols. The Covid-19 pandemic continued to significantly impact the Council, its finances and our residents, requiring it to review the way it delivers services and explore opportunities for new service delivery models in order to meet the needs of its residents. Those pressures and processes continued to 31st March 2021 when the new Unitary Councils were created.

Review of Effectiveness

The Council had responsibility for conducting at least annually a review of the effectiveness of its governance framework, including the system of internal control. This review is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and comments by the External Auditor and other review agencies and inspectorates. NCC Leadership reviewed those arrangements and approved a draft Annual Governance Statement in February 2021.

The key evidence to support the review of effectiveness is outlined below:

Planning

There was a clear vision of the outcomes which the Council wants to achieve for local people as a local Council, as set out in the Council Plan.

The Council operated a planning process which integrated all aspects of strategic, operational and financial planning which has the full involvement of the Cabinet and all senior managers of the Council. This sought to ensure financial plans realistically support the delivery of the Council's goals and strategy obligations in the short and medium terms.

The budget preparation process for 2020-21 was subject to robust challenge and involved extensive consultation with the people and businesses of Northamptonshire. The Council's final budget was approved in February 2020.

All major programmes of work (with the exception of asset programmes such as school building, road maintenance and street light replacement which have their own programmes) are tracked through a single system (PMPoint) and overseen by the Business Intelligence and Project Management department (BI&PM).

In 2018 The Secretary of State appointed two external commissioners to oversee finance and governance. The commissioners were in place until 31 March 2021 with their roles defined as: "The Commissioners are to act jointly or severally, and it will be for them to decide how best to exercise their functions. However, the Secretary of State envisages two complementary roles:

- a Lead Commissioner, whose responsibilities include, but are not limited to, giving direction and leadership to the work of the Commissioners and to the delivery of improvements which the Authority is required to make particularly with respect to aspects of the culture of the Authority and the way its services are organised which act as a hindrance to compliance with the best value duty; and
- a Financial Commissioner whose responsibilities will focus on securing the prudent and sustainable strategic financial management of the Authority, including proper budgetary control.

Performance Management

On a quarterly basis the Council produced a corporate performance report, reflective of the range of services that the Council provides and progress against delivery of our major change programmes. These reports were also presented to Cabinet which gives both Cabinet and the public an insight into the Council's overall performance.

Additionally, there was a workforce performance management process operating at all levels of the organisation. This holistic review was supplemented by the management of staff personal performance through the Personal Performance and Development Plan process.

The Cabinet

The Cabinet was responsible for key decisions. The Cabinet met on a monthly basis and made decisions that are in line with the Council's overall policies and budget. Decisions Cabinet wished to make outside of the budget or Policy Framework must be referred to full Council. The Cabinet received regular monitoring reports on key aspects of control including performance and financial management.

Overview and Scrutiny Committees

The Council appointed the Overview and Scrutiny Committees (Scrutiny Committees) to discharge the functions conferred by section 21 of the Local Government Act 2000. Scrutiny

committees oversee and scrutinise the decisions made by the Cabinet and Cabinet members under delegated powers. Scrutiny committees met on a quarterly basis.

The Standards Committee

The Standards Committee has not met since 2018, as there has not been any alleged breach of standards.

The Audit Committee

The Council had an Audit Committee that provided independent, effective assurance on the adequacy of the Council's governance environment. All major political parties were represented on the Audit Committee and it has an independent Chair. The independent Chair changed during the 2017-18 financial year.

The Audit Committee continued to meet formally via virtual meetings, through 2020/21, considering reports, including the annual Internal Audit Report from the Chief Internal Auditor, the Council's senior finance officers and the External Auditor. Additionally, the Committee invited officers of the Council to attend the Committee on a number of occasions to assist the Committee in its work. The Minutes of the Audit Committee were presented at Council meetings which were attended by the Chair of the Audit Committee.

Statutory Officers

The statutory functions i.e. the Head of Paid Service, Monitoring Officer, S151 Officer, and the directors of Adults (DASS), Children's (DCS) and Public Health (DPH) Service must be considered within the context of the s114 Notice and the appointment of Government Commissioners in respect of the Council's finance management and Children's Services.

The Council's financial management arrangements during the period covered by this Annual Governance Statement conform to the requirements of the CIPFA Statement on the Role of the Chief Financial Officer.

The Council also prioritised improvements within Children's Services under the supervision of the Director of Children's Services and Chief Executive in conjunction with the appointed Commissioner to ensure statutory compliance and service improvement.

The Chief Executive formally met with the three statutory service directors, namely the Director of Adult Social Services, the Director of Children's Services and Director of Public Health on a monthly basis where any issues specific to them fulfilling their statutory roles were discussed.

Management

During 2020/21, there was a stable senior management team in place. When compared with 2019/20 where the following changes were experienced:

- ✓ New Chief Executive appointed 27/07/2018
- ✓ New Executive Director Finance appointed 01/11/2018 and was replaced by an appointment in 1/10/2019
- ✓ New Executive Director Commercial & Place appointed 29/04/2019 and was replaced by an appointment in 1/10/2019
- ✓ New Children's Services Director appointed 18/02/2019 and was replaced by an appointment in 1/10/2019

- ✓ Director Transformation appointed 15/10/2018 and transferred to Future Northants 1/4/2019

The appointments of the Chief Executive and Director of Finance were the responsibility of the MHCLG Commissioners.

The Leadership Team (NLT) met weekly as the main officer decision making body and works alongside and for the councillors. NLT was responsible amongst other things for:

- Managerial leadership and direction of the council;
- Providing the formal response to Cabinet policy direction and the development of corporate policy and initiatives for Cabinet consideration;
- Co-ordination and commissioning of council-wide activity, planning, programme management.

This team was responsible for an annual gross expenditure budget of over £1 billion and led an organisation that co-ordinated voluntary sector, represented the interests of Northamptonshire to government and international bodies.

Assurance statements were not requested from directors during 2020, in recognition of the fact that the Council was operating under emergency conditions, coupled with the focus on preparation for the transfer to the new Councils. However, the set up of Gold command framework, Silver incident management framework and the incident risk register, as part of handling the emergency ensured that managers

- fully understood their roles and responsibilities;
- were aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- were required to make an assessment of the significant risks to the successful discharge of the Council's key priorities;
- acknowledged the need to develop, maintain and operate effective control systems to manage risks.

Internal Audit

The Council takes assurance about the effectiveness of the governance environment from various sources including the work of Internal Audit, which provided independent and objective assurance across the whole range of the Council's activities. The Chief Internal Auditor gives an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council as required by the Public Sector Internal Audit Standards that provide adherence to the Accounts and Audit Regulations 2015.

That opinion, provided within an Annual Internal Audit Report that provides the detailed basis upon which the opinion is developed, has been used to inform the Annual Governance Statement and is set out below.

In respect of the 12 month period ending 31 March 2021, the opinion of the Chief Internal Auditor on the adequacy and effectiveness of the Council's overall internal control environment, taking account of all available evidence, was Satisfactory.

The opinion reflects the following positive actions taken by Management during the year that contributed to the control environment being maintained during the year despite the disruption of the pandemic

- Robust financial management arrangements implemented in line with CIPFA Financial management code, including budget monitoring and closer working between Finance, budget managers and Directors
- For the most part risk management arrangements were maintained with regular review and update of the strategic risk registers. A covid compilation risk register was also put in place as part of the comprehensive covid 19 incident plan, to better manage risks arising from different areas of the Council arising from the pandemic.
- Real time review of procurement transactions for assurance that only essential spend was being undertaken, to better manage outgoings, cashflow and supplier.

The following key factors identified from Internal audit work and discussions with Management were deemed to have impacted the effectiveness of controls and risk management during 2020/21

- Control weaknesses highlighted from Audit reviews including issues over Spreadsheet Import payments; Journal posting authorisations; oversight on procurement card purchases
- As a category 1 responder, it is recognised that the pandemic had a notable impact on the Council Service delivery, with internal control arrangements having been disrupted, due to staff being redeployed from their normal duties; staff working remotely with limited supervision and increased demand to work at pace with Partners and Central Government to meet emergency demands from businesses and the general public.
- Challenges to the control environment from both the changes due to LGSS remodelling of delivery of key services during the year and the increasing need to focus on work to transfer to the new Authorities, while attempting to maintain business as usual.
- Operational disruptions from reduction in available staffing resource from staff needing to self – isolate, shield and work remotely.

External Inspections and Reviews

EXTERNAL AUDIT - As well as an examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in its use of its resources.

The audit of Council's 2017-18 Financial Statements and its arrangements to secure economy, efficiency and effectiveness in its use of resources - (the value for money conclusion) was formally completed and signed off by KPMG in November 2019.

The delay in completion of the 2017-18 accounts, meant work on the audited financial statements of 2018/19, by EY the new Auditors were only signed off in February 2021.

FINANCIAL MANAGEMENT REVIEW – During September 2019, an independent review of financial management capability at the Council was requested by the Commissioners and

undertaken in a manner similar to that of a peer. The review recognised the progress the Council has made in improving its financial management since the intervention of the Secretary of State in 2018. A report detailing a series of recommendations for further improvement was submitted to the Audit Committee and endorsed by the Leadership Team during 2020/21.

OFSTED & CQC INSPECTIONS -Following an Ofsted review of Children's Services a commissioner with responsibility for children's services was also appointed. The overall effectiveness of Children Services at the Council was graded as Inadequate by Ofsted following focused visits in October 2018 and in June 2019.

However a monitoring visit undertaken on 14/15 January 2020, highlighted improvements, concluding that " although some of the priority actions raised at the focused visit with regard to the workforce have yet to be fully implemented, risks to children are being better identified at the front door and children are now being seen more promptly."

An action plan is in place and progress on implementation is monitored by the Leadership team.

A second focused visit between 20 and 22 October 2020 concluded that "despite unprecedented times due to Covid -19 pandemic, inspectors found convincing evidence that services for children and young people in Northamptonshire are starting to improve, albeit from a low base" It was noted that cogent plans are in place to address wide ranging areas of improvement.

A third monitoring visit undertaken between 24 and 25 February 2021 commented that "The stable and committed senior leadership team is steadily achieving improvements in the quality of services for children in care, including for disabled children. Children's social care services transferred to Northamptonshire Children's Trust on 1 November 2020. The trust has continued to build on the positive changes that were already taking place, supported by a permanent director of children's services and the appointment of an experienced chief executive officer."

LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN - The 2020/21 Local Government & Social Care Ombudsman's Annual Review letter was received on 21 July 2021. The Ombudsman upheld 15 (65% of cases investigated) of the Council's complaints referred, after detailed investigations were carried out, compared to 22 (76%) in 2019/20 and 71% average for other local authorities. It noted that the Council had not sought to provide satisfactory remedies before the cases reached the Ombudsman, compared with a national average of 8% of local authorities.

Risk Management

The Council had an approved risk management strategy that set out a corporate risk appetite that is not risk averse but seeks to support decision making that consider threats, identifies mitigations etc. in order to ensure opportunities are seized and delivered.

In support of the delivery of effective risk management arrangements, a corporate risk management system GRACE is used to capture all relevant corporate / directorate and project related risks.

Risk reports were scheduled for Leadership Team meetings on a regular basis during the year. The approach to Risk Management was refreshed in 2019 to include quarterly audit

testing of risk information and that commenced in Q3/4 2019-20 and has continued through 2020/21 subject to Covid 19 pressures.

Developing Capacity

The Council operated procedures during the period covered by this statement to ensure that the training needs of staff are assessed against core competencies and any key training needs are prioritised. Additionally, the Council provided appropriate training to Councillors to enable them to effectively fulfil their duties as Councillors of the Council.

The Northampton Local Government Reform integrated programme presents significant recruitment and retention challenges across NCC services. This was recognised as a key issue by the Leadership Team and Cabinet and is reflected within the 2020 revision of the strategic risk register.

Engagement

The Council continued to make strenuous efforts to fully engage the community in the development of its plans and policies. The 2019-21 Council Plan recognised this priority including:

At the heart of the Council's desire to transform were the following considerations:

- “We are focusing on **enabling individuals and communities** to achieve better outcomes
- Whenever possible, we **co-design and co-deliver services** with partners and communities
- We **innovate** to find better and more sustainable ways of delivering services
- We focus precious resources where they have the biggest impact, in **preventing need and intervening early**
- The new service models are designed to be **scalable and affordable in the long term**
- We use **technology and digital solutions** to help meet the needs of residents
- We **commission and procure services and goods with partners**, to get the best return for the Northamptonshire pound
- We **use our properties** to maximise occupancy levels, generate income and manage costs
- Those that have a role to play, internally and externally, are **engaged, have a voice and contribute** to the transformation of services
- Changes **take into account equality gaps and mitigate impact**, so that we reduce inequalities and disparity of opportunities.”

Governance Issues and how they were managed

It is important to draw a distinction between an issue or incident that highlights governance issues and systemic governance weaknesses, for example, contract management found to be unsatisfactory in one area does not necessarily identify poor contract management across all the Council. Issues are generally considered to have significant governance implications where

- a) They will seriously prejudice/prevent achievement of a principle
- b) Have a material impact on the Financial Statements

- c) Require formal action to be taken by the S151 or Monitoring officer
- d) Affect the opinion of the Chief Internal Auditor
- e) Has a negative impact on reputation of the Council

Progress on Governance Issues reported in the 2019-20 Annual Governance Statement –

All of the actions raised in the 2019/20 Action Plan were carried forward to the 2020/21 Action Plan and progress updates are detailed in **Annex A**

2020/21 Significant Governance Issues -Significant Issues arising in 2020/21 that had governance implications include:

- a. Local Government Reorganisation -. The impact on controls from the shift in focus from NCC closing towards preparation for the new authorities coming live.
- b. LGSS – The change agenda for LGSS who currently deliver the key back office services for NCC, coupled with the disaggregation of the Council. Review of robustness of implementation and embedding of the new shared service models for LGSS services.
- c. Contract Management (including commissioning/procurement). Management of the COVID 19 pandemic has added pressure, to continue to pay attention on contracts, where service delivery is reduced or stopped.
- d. Risk Management –. Impact of risks arising from lockdown due to the pandemic.
- e. Business Continuity – effectiveness of Critical plans initiated as a result of COVID 19 pandemic and the financial impact/fall out from the lockdown.

Forward Looking Issues- The purpose of this Statement is to reflect on the Governance arrangements for the 2020/21 financial year. For 2020/21 the following are known issues that impacted on the Governance arrangements at NCC:

- **Brexit:** no significant governance issues arise in respect of Brexit as these are documented and reviewed within individual Risk Register areas. The wider issues remain under review/observation.
- **LGR Review** - Outcomes from the various work streams set up in preparing for the transition to 2 unitary Authorities and a Children’s Trust.
- **Covid 19 Pandemic** – Going concern considerations, following the lock down. Significant reduction in income and spike in outgoings under guidance from Government will have a marked impact on the Council’s finances going forward into 21/22. Robustness of decision- making framework during the lockdown period.

ANNEX A

Based on the Council's assessment, the issues set out below were determined as being significant governance issues as at 2020-21

Issue	Lead officer/Date	Action, Update
<p>The Council's Code of Corporate Governance has not been updated to reflect the 2016 CIPFA / Solace guidance in respect of delivering good governance</p> <p>[c/f from 2016-17 AGS]</p>	<p>General Counsel (Monitoring Officer)</p>	<p>The Council's General Counsel completed a review and confirmed the Code is substantially current.</p> <p><u>2019 update:</u> Some minor amendments are needed which will be included within a review as part of the work programmes of Democratic Services</p> <p><u>2020 Update-</u> The review has been completed and the updated Code of Corporate Governance will be presented to Cabinet for approval in February 2021.</p> <p><u>2021 Update –</u> Presented to Cabinet February 2021 - COMPLETED</p>
<p>The County Council continues to operate in the most challenging conditions in its existence. Significant demographic growth, coupled with ever reducing funding from Central Government has led to a point where only radical transformation will ensure that the Council can continue to deliver to its residents.</p> <p>It is more important than ever that resources are prioritised appropriately, and the Authority works towards achieving its outcomes. Despite the controls, the fundamental balance of pressures vs funding mean that significant financial risk is inherent in the Council because of statutory demand led services for which we have limited control</p> <p>[c/f from 2016-17 AGS]</p>	<p>Executive Director Finance</p>	<p>This challenge is on-going and has led in part to the issuing of the s114 Notice and the Best Value Report.</p> <p>The Council recognised the severity of the financial situation and instigated measures, including an Improvement Board and Chief Executive Approval Panel, and well as a Best Value Implementation Plan was put in place that monitored and reported through to the Audit Committee.</p> <p><u>2019 Update:</u> the 114 notice was 'lifted' in April 2019 and a balanced budget set for 2019-20. Spend controls and financial governance arrangements put in place for the 114 Notice remain in place during 2019. Implementation Plans and financial risks will continue to be monitored and managed.</p> <p><u>2020 Update</u></p> <p>Robust financial management and monitoring continues across the Council providing robust forecasting and control.</p>

Issue	Lead officer/Date	Action, Update
<p>Inadequate judgement for the Council's Children Service by Ofsted and the removal of Secretary for Education intervention notice, NCC is in a much better position, however there is still a journey to maintain and embed good practice</p> <p>[c/f from 2017-18 AGS]</p>	<p>Executive Director Children's Services</p>	<p>The report states: "Senior leaders are working hard to change the culture of social work in Northamptonshire and to create a positive environment for staff to continue to improve their practice."</p> <p>Given the high profile of this area it is felt that the continued monitoring through the Annual Governance Statement action process should be continued in the short term.</p> <p><u>2019 Update:</u> NCC continues to recognise the importance of continued improvement in this area and work and focus continues to achieve that including the involvement and oversight of the appointed Children's Services Commissioner.</p> <p>A focussed inspection of Children Services was carried out by Ofsted in June 2019 and its outcome concluded NCC Children services were inadequate and an action plan put in place.</p> <p><u>Update 2020</u></p> <p>A monitoring visit undertaken on 14/15 January 2020, highlighted improvements. An action plan is in place and progress on implementation is monitored by the Leadership team (reported within the Action Tracker for Audit Committee) and the Children's Trust structure is now in place.</p> <p>A focused visit between 20 and 22 October 2020 concluded that "despite unprecedented times due to Covid -19 pandemic, inspectors found convincing evidence that services for children and young people in Northamptonshire are starting to improve, albeit from a low base" It was noted that cogent plans are in place to address wide ranging areas of improvement.</p> <p><u>2021 Update</u> – The Children's Trust went live as a separate entity on 1st November 2020, with responsibility for delivering children social services across Northamptonshire. Ofsted monitoring visit on 24 & 25 February 2021 commented that the Service was "steadily achieving improvements in the quality of services for children in care, including for disabled children".</p>

Issue	Lead officer/Date	Action, Update
<p>There has been an intention within the Council to move to a number of federated bodies, this model has now been abandoned by the Council.</p> <p>Whilst the above removes various governance challenges, it also creates alternative issues, for example, migration of staff under TUPE, re-assimilation of budgets etc.</p>	<p>Chief Executive</p>	<p>The Council migrated services in-house. This action remains open until the relevant companies are closed formally.</p> <p><u>2019 Update:</u> As at date of this report, the companies had ceased trading, with OCS ltd due to be struck off the companies register on 31/3/2020 and FfW due to go into a Members voluntary liquidation.</p> <p><u>2020 Update:</u> OCS – there have been two objections to strike off. First has been resolved, the second (from former employee) is awaiting a response from Directors to advise us who is advising the solicitors on the case.</p> <p>FfW – is with liquidators and has been delayed due to HMRC delays impacted by Covid-19</p> <p><u>2021 update</u></p> <p>FfW has been dissolved and OCS is in the process of being struck off the Companies House Register.</p>
<p>The recommendation of the Government's Best Value Inspection is to ultimately close the County Council and move to a two unitary council structure for Northamptonshire.</p> <p>The Council will need to ensure that it works with partners to ensure that there is progress in the transition to the Government's final decision.</p> <p>At this time the governance implications of implementing the above are unknown as they involve not just NCC. The issues will be a corporate focus as they develop.</p>	<p>Chief Executive</p>	<p>The new Councils are now formalised for 1st April 2021.</p> <p>A project team provides a formal, regular structure to consider these issues including the s151 Officer, Monitoring Officer and the Chief Internal Auditor (or representatives) to ensure governance matters are properly addressed.</p> <p><u>2019 Update:</u> formal confirmation has now been received that the Unitary Councils model (including a Children's Trust) is to be in place by 1st April 2021. Primary Legislation to progress was received in February 2020.</p> <p><u>2020 update</u></p> <p>Futures Northants Team has been formed to develop the new models including May 2020 shadow authority creation. Two shadow authorities have been created and quarterly reports made to the shadow boards of the shadow authorities. Leaders and key officers appointed and blueprints for departmental structures and staffing are being progressed.</p> <p>COMPLETED – NCC ceased 31/03/21 and WNC and NNC formed.</p>

Issue	Lead officer/Date	Action, Update
<p>Northamptonshire County Council is one of three sovereign partners in LGSS and a range of Council functions are provided via this shared service.</p> <p>LGSS has appointed a new Interim Chief Executive who is reviewing the LGSS business model. Whilst unknown at this time any significant changes to this model could impact on the Council and its governance.</p>	Executive Director Finance	<p>The initial outcome of the review is expected in June 2018. The specific proposals will need to be discussed with the sovereign partners and agreed within NCC before being approved at the LGSS Joint Committee.</p> <p>The changes arising from this review have been agreed and services repatriated into individual Councils or lead authority shared services continue as appropriate.</p> <p><u>2020 Update</u></p> <p>LGSS review completed in August 2020 and the lead authority models are live with effect from 1st Dec. COMPLETED</p>
<p>It was identified in ISA 260 that the Council has needed to engage a number of former staff as off-payroll workers, not subjected to an IR35 test. There should be transparency in the justification for this type of arrangement.</p>	Executive Director Finance	<p>A revision has been made to its policy on the use of Consultants and Interims, which contains clear direction on the engagement of such workers.</p> <p>Where an individual previously employed by the Authority is re-engaged on an off-payroll basis, the Authority will undertake and clearly document all the relevant legal and tax considerations in advance of confirming such an appointment.</p> <p>Internal audit has completed an IR35 review, with no significant issues highlighted.</p> <p>COMPLETED</p>
<p>At this time of change and cuts at the Council, the effectiveness of the control framework (e.g. constitution, risk management, policy, finance procedures, etc.) is critical in supporting the financial constraints that the council will be operating under in 2019/20</p>	Chief Executive	<p>It is imperative at this time that all staff across the Council ensure that they take responsibility for the work that is required of them and that they are held accountable for the actions that fall under their remit. Specific examples of areas that could enhance the control framework include:</p> <p>(1) Maintain effective operational Risk Registers across services;</p> <p>(2) Maintain specific Risk Registers in relation of budget cuts / savings targets;</p>

Issue	Lead officer/Date	Action, Update
		<p>(3) Ensure LGSS finance are providing during 18/19 targeted focus on saving targets progress;</p> <p>(4) Ensure SMT has recurring agenda item to review progress to savings and intervenes where performance deviates from target;</p> <p>(5) Require the IA plan to prioritise services with challenging savings targets and/or performance reporting highlights concern.</p> <p><u>2019 Update:</u> As above, these controls and requirements remain in place at the request of the Executive Director of Finance. The Internal Audit plan for 2019-20 includes provision to undertake compliance audits for these governance controls.</p> <p><u>2020 Update:</u> The work programme for this issue continued throughout 2020/21 however it was affected by the pandemic. The outcomes (ie strong financial management) are considered on target despite the pandemic.</p>
<p>The new Financial System (ERP) was live from 1st April 2018. A range of issues were identified during the 1st half of 2018-19 and a Governance Board (re)created to provide a collective responsibility for a ‘snagging list’ of issues until all issues are resolved to the satisfaction of clients / users (CCC, NCC and MKC).</p> <p>Full assurance for the system and compliance with its requirements will only be possible following the full completion of at least the 1st years accounting cycle i.e. the accounts audited and signed off by External Auditors.</p>	<p>Executive Director Finance</p>	<p>The ERP Governance Board continues to meet to discuss outstanding issues until resolved.</p> <p>Internal Audit have undertaken multiple testing on ERP systems and processes during 2018-19 and have reported to management accordingly.</p> <p>With the exception of Debt Recovery those audits provided Satisfactory assurance albeit highlighting various issues that require improvement.</p> <p><u>2020 update</u></p> <p>Still some issues identified from Audit reviews.2018/19 External audit still to be completed. No material issues outstanding re: ERP.</p> <p><u>2021 update</u> – 2018/19 external Audits now completed. Work on 2019/20 and 2020/21 are still ongoing.</p>
<p>Organisational Capacity is recognised within the Strategic Risk Register as an ongoing issue</p>	<p>Chief Executive</p>	<p>The relevant risks are monitored via the Risk Management process through NLT and Cabinet and the area will be a focus as the Council approaches the new Unitary Councils model implementation.</p>

Issue	Lead officer/Date	Action, Update
particularly in the light of the Unitary Councils model.		These continue to be managed during the period towards the new Councils.
2018-19 experienced a noticeable increase in requests to Internal Audit to undertake reviews including identified areas of concern.	Executive Director Finance	<p>This is considered to be indicative of an improving governance culture in respect of management:</p> <ul style="list-style-type: none"> ✓ identifying issues; ✓ openness to independent analysis of those issues; ✓ commitment to improve and be transparent. <p>As such it is considered appropriate to include this as a governance matter after 31st March 2019 within the AGS.</p> <p>As a further enhancement to transparency, this was combined with the Audit Committee considering all IA reports with less than Satisfactory opinion in full public session.</p> <p>It does however create pressures on limited IA resources that must be prioritised.</p> <p>2019-20 continued this trend and also presented proactive challenges from the Pandemic. These continue to be monitored and reported into the Audit Committee.</p>
Audit / Sign-off of 2017-18 Accounts (KPMG) and the appointment of a new External Auditor (EY) for 2018-19 accounts.	Executive Director Finance	<p>The appointment of a new external auditor was a routine procurement requirement from Government. It would not normally represent a significant governance issue. However new external auditors will not commence their audit until the 'sign off' of previous years accounts.</p> <p>EY were clear that they will not be able to commence the audit of 2018-19 accounts until KPMG have completed the audit of the 2017-18 accounts.</p> <p>The key implication of this delay, other than technical accounting issues, is the resources from, primarily, Finance staff in serving those outstanding queries to enable the audit to be completed.</p>

Issue	Lead officer/Date	Action, Update
		<p>This is being closely monitored by the Executive Director Finance and the Audit Committee.</p> <p><u>2019 /20Update:</u></p> <p>The audit of the 2017-18 was signed off in November 2019. Audit of 2018/19 Statements is ongoing.</p> <p><u>2021 Update</u> – 2018/19 Statements were signed of in February 2021 and completion of the audit of the 2019/20 Statement of Accounts were delayed due to staffing issues with the External Auditor. Audit of the 2021 Accounts have been similarly delayed. These will be considered by the Audit committee of the new Council. Public notices were published on the Council’s website to this effect.</p>
ISSUES ARISING AFTER 31st MARCH 2020		
<p>Contract Management -various issues around lack of robust management of contracts specifically</p> <ul style="list-style-type: none"> - Highways - HTST 	<p>Executive Director of Strategy, Delivery and Transformation</p>	<p>The contracts’ novation into the new Councils and the Childrens Trust are part of a workstream for the new Unitary Councils and their contract management will be a focus within Internal Audit’s 2020/21 audit plans.</p>
<p>Covid 19 - Impact</p>	<p>Assistant Director- Corporate and Community Services</p>	<p>The Council continues to manage Covid19 pressures including the 2nd lockdown and the new national tier systems. The full impacts of these issues are managed within each service and corporately. They will however likely be a long term issue for the new Councils.</p>



WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

26 January 2022

Report Title	External Audit (Grant Thornton) Progress Report
Report Author	Ciaran McCloughlin - Director, Grant Thornton

Contributors/Checkers/Approvers

West MO (for West and joint papers)	Catherine Whitehead	Emailed 17 th January 2022
West S151 (for West and joint papers)	Martin Henry	11 th January 2022

List of Appendices

Appendix 1 – Audit Progress Report and Sector Update

1. Purpose of Report

- 1.1. The purpose of this report is to provide an update from our external auditors for 2021-22 Grant Thornton

2. Executive Summary

- 1.2. Appendix 1 provides an update from Grant Thornton on Audit Progress and a sector update.

3. Recommendations

- a) That the report be noted.

4. Reason for Recommendations

The Committee's consideration of this update is needed to ensure the committee is informed of external audit progress in the current financial year as well as useful updates from Grant Thornton on relevant topics.

5. Report Background

- 5.1 Attached as an Appendix is a progress update on the work they are carrying out at West Northamptonshire and a sector update on topical and emerging issues affecting the public sector.

6. Implications (including financial implications)

6.1 Resources and Risk

- 6.1.1 The report highlights that estimated audit fees for 2021-22 will be £350,000 for the Council and £45,000 for the pension fund.

6.2 Legal

- 6.2.1 None

6.3 Equality and Health

- 6.3.1 None

6.4 Risk

- 6.4.1 None

6.5 Consultation

- 6.5.1 None required

6.6 Consideration by Overview and Scrutiny

- 6.6.1 None required

6.7 Climate Impact

6.7.1 None

6.8 Community Impact

6.8.1 None

7. Background Papers

7.1.1 None

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West Northamptonshire Council Audit Progress Report and Sector Update

Year ending 31 March 2021

20 January 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at January 2022

Financial Statements Audit

We have identified Paul Harvey, an experienced Manager in our Midlands team to manage the audit of the Council for 2021/22. Paul and I are meeting with the Executive Director of Finance on 20 January to agree the timing of our audit planning. With a view to presenting our draft audit plan to the Audit and Governance Committee in April 2022, setting out our proposed approach to the audit of the Council's 2021/22 financial statements.

The Accounts and Audit (Amendment) Regulations 2021 pushed back the date by which principal authorities needed to publish their draft financial statements to the first working day of August 2021. For the 2021/22 year this date has been pushed back to 31 August. The Department for Levelling Up, Housing and Communities has also indicated an intention to extend the period when audited financial statements need to be published again this year to 30 November 2022.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office (NAO) has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements.

We understand that this will also be the position in 2021/22, but we will keep the Committee up to date on progress as we go through the year.

Progress at January 2022 (cont.)

Other areas

Certification of claims and returns

We will certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2021/22 claim will begin in December 2022. We will report our findings to the Audit, Compliance and Governance Committee once our work has been completed.

We will also certify the Authority's annual Teachers Pensions Return and its Pooling of Housing Capital Receipts return in accordance with procedures agreed with Teachers Pensions and the Department for Levelling Up, Housing and Communities (DLUHC). The certification work for the 2021/22 returns will take place later in 2022.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers will be invited to attend our Financial Reporting Workshop in January and February 2022, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During discussions with PSAA about our appointment as external auditors to the Council and the Pension Fund we put forward our proposed fee for completing the 2021/22 audit, which PSAA accepted subject to confirmation with the Council. The proposed 2021/22 audit fee will be £350,000 for the audit of the Council and £51,750 for the audit of the Northamptonshire Pension Fund. The Pension Fund audit fee includes a 15% uplift as this will be the first year of our audit. This fee recognises that the Financial Reporting Council has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2021/22 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.</p>	April 2022	Not yet due
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the November Committee.</p>	November 2022	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	November 2022	Not yet due
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	November 2022	Not yet due
2021/22 Audit-related Deliverables	Planned Date	Status
<p>Teachers' Pension Return- certification</p> <p>This is the report we submit to Teachers' Pension based upon the mandated agreed upon procedures we are required to perform.</p>	31 December 2022	Not yet due
<p>Housing Benefit Subsidy – certification</p> <p>This is the report we submit to the Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	31 January 2023	Not yet due
<p>Pooling of housing capital receipts - certification</p> <p>This is the report we submit to the Department Levelling Up, Housing and Communities based upon the mandated agreed upon procedures we are required to perform.</p>	February 2023	Not yet due

Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

Financial Reporting Council annual report (cont.)

Quality Assurance Department (QAD) Reviews

In addition to the reviews undertaken by the FRC on major local audits, the QAD team from the ICAEW undertake annual reviews of non-major local audits as well as reviews of Foundation Trusts on behalf of NHSE&I.

The QAD reviewed five of our audits this year and graded all of them (100%) as 'Satisfactory / generally acceptable' for both the financial statements and VFM elements of the audit, which is the highest grading.

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Satisfactory / generally acceptable	5	6	2
Improvement required	0	1	0
Significant improvement required	0	0	0
Total	5	7	2

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis.

As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

What can be learned from Public Interest Reports? – Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

<https://www.grantthornton.co.uk/en/insights/lessons-from-recent-public-interest-reports/>

Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

The transparency report provides details of our:

- Leadership and governance structures
- Principal risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \[grantthornton.co.uk\]](https://www.grantthornton.co.uk/transparency-report-2020)

Local authority Covid-19 pressures - MHCLG

Outturn figures from the Ministry of Housing, Communities & Local Government (MHCLG) show that local authorities in England reported additional cost pressures of £12.8bn relating to COVID-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	3,181.254
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	378.846
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	298.584
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	299.433
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	340.858
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	2,363.926
Total	329.937	2,111.187	1,791.153	1,503.848	1,126.777	6,862.902



The figures are available in full here: <https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	1,215.708
Council tax	399.037	0.000	217.633	191.219	232.727	1,040.616
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	2,137.728
Commercial income	82.448	24.159	120.629	204.211	52.154	483.600
Other	33.494	39.947	27.163	53.664	45.166	199.435
Total	1,307.903	259.029	1,113.524	1,053.190	1,343.441	5,077.087

Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The HCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

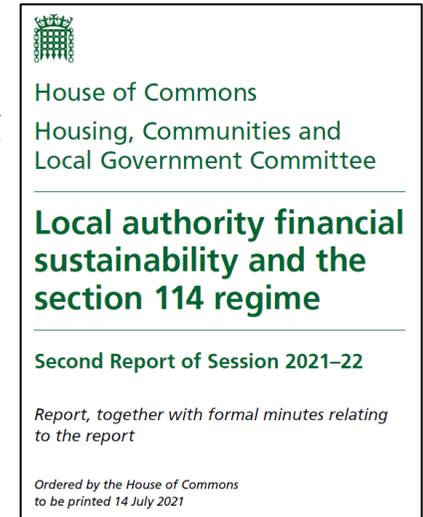
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



Government response to Redmond review – MHCLG

Government has published an update on the Ministry of Housing, Communities & Local Government response to Sir Tony Redmond’s independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The MHCLG press release states “The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

In the immediate term, MHCLG will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively.”

The press release goes on to state the “measures finalise the government’s response to Sir Tony Redmond’s independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

[Government publishes update to audit review response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response)

Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.

The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons
Committee of Public Accounts

Local auditor reporting on local government in England

Eleventh Report of Session 2021–22

2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>

2023-24 audit appointments – Public Sector Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) has invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

- establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022.



The news article can be found here:

<https://www.psa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/>

The procurement strategy can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/>

Councils given power to build more homes for first time buyers and for social rent – MHCLG

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The MHCLG press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

[Councils given power to build more homes for first time buyers and for social rent - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/press-releases/2022/05/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent)

Guide to support Value for Money (VfM) analysis for public managers – CIPFA

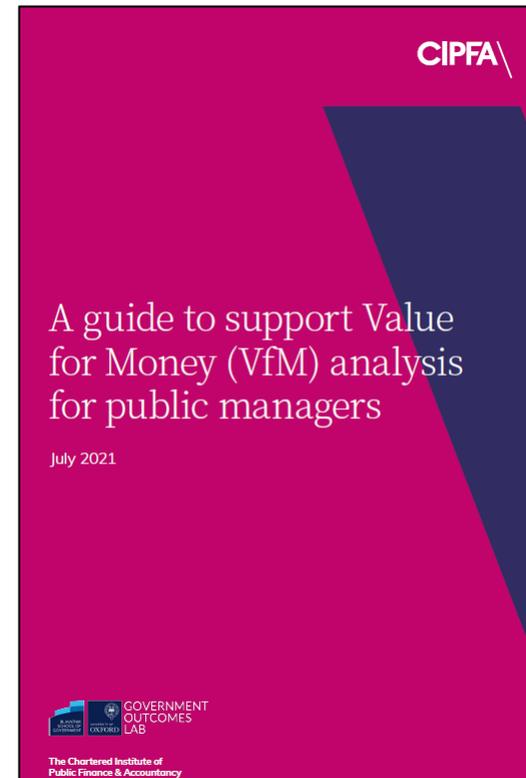
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK’s statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment “While the exact scale and nature of local authorities’ roles and responsibilities in reaching the UK’s national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector’s powers and responsibilities for waste, local transport and social housing, and through their influence in local communities. Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government’s approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities’ overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities’ ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach.”

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities’ reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

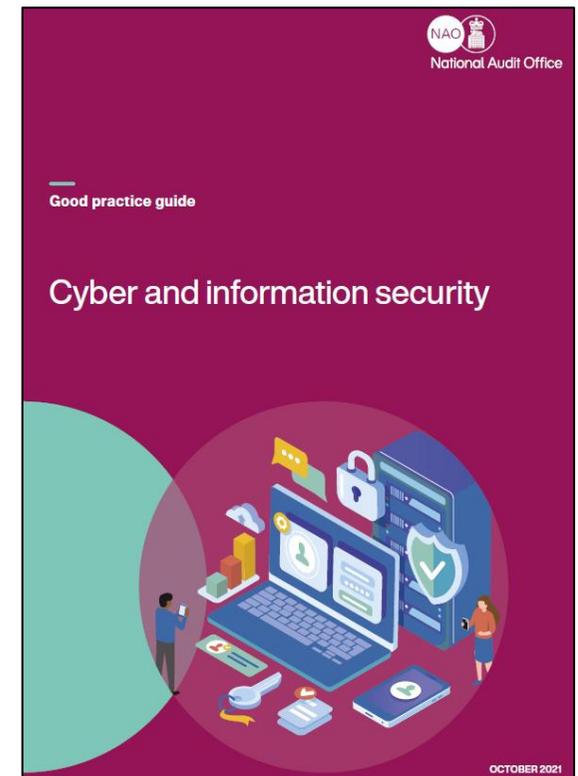
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





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WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

26 JANUARY 2022

Report Title	Strategic Risk Register
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Appendices

Appendix A - Copy of Risk Register

1. Purpose

- 1.1. The purpose of this report is to highlight the changes in the strategic register since the last meeting.

2. Recommendations

- 2.1. It is recommended that the Committee considers the Strategic Risk Register.

3. Issues and Choices

Information

- 3.1 The Audit Committee's terms of reference set out that the Committee should:

"Monitor the effective development and operation of risk management and corporate governance within the Council."

- 3.2 The authority's first risk register was presented to the Audit and Governance Committee at the meeting held in July. Between each meeting ELT will review and update the risk register. Following that review a number of amendments have been made to the narrative contained within the risk register and the mitigating actions have been updated to reflect the current situation.
- 3.3 The Committee requested that the detailed risk register be provided as a link rather than as detailed Appendices so that members could consider them 'on-line' as it was felt that this was the most efficient method of considering the detail contained within the

appendices. They also requested that any changes to the risk register are highlighted in this covering report.

3.4 It should also be noted that in addition to these two changes the reporting of the Corporate Risk Register is being further reviewed by officers to make the reporting process more effective.

3.5 The residual score for each risk has also been re-considered for all risks to determine if the score should be amended to reflect the revised actions and general update in the risk. The review of the risk register should always lead to updates on the current position on each risk, but quite often the residual risk will remain the same. In this update the risk scores for all 12 risks have remained as previously scored despite the risks being reviewed and updated. This is not surprising as the risk scores should only change where there has been a significant improvement or deterioration in the risk environment.

3.6 The changes for this update reflects comments for the following services:

Children's Trust (risk E03), the changes are highlighted in red below and within the link on the detailed risk register.

Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)	Comments
A Democratic process and transparency not adhered or despite legal responsibility remaining with the Council	Intelligent Client Function (ICF) is in place and Clear governance arrangements set out in the contract with monitoring of performance and financial plans via operations board and strategic board	Good	Trust Risk Register, improvement plans and KPI performance reported to Operations Board on a monthly basis allowing early site and mitigation of issues. Contract allows for Trust to be called into Democratic meetings 3 times annually plus any agreed additional meetings to talk about service and performance	ICF recruitment delayed by 6 months and planned financial and administrative support not in place to service the agreed Governance processes. This prevents proper control through the ICF being fully effective. The Trust has continued to improve its performance reporting. The loss of the joint DCS may create a short term gap in oversight that the ICF will need to mitigate
B Council becomes financially unviable due to unexpected additional costs and demand for care and additional investment required by Trust	Service Delivery Contract ensures clear contract price and ongoing monitoring of performance, delivery of outcomes and financial sustainability by Councils Client function	Reasonable	Monthly reports received on financial outturn and performance of service. Variations to contract price subject to clear actions by trust to mitigate and use reserves before seeking additional funds	A provisional budget for 2022/23 and indicative figures for subsequent years have now been agreed and will be built into WNC and NNC budget planning processes
C Councils childrens services remain inadequate with poor practice, poor support for children and families and poor outcomes for children at risk or in care	Service delivery contract includes target service standards and KPIs for Trust and business plan includes clear improvement plan tasks agreed with DFE and commissioners	Reasonable	Clear improvement plan and business plan outcomes set out and tracked by Council Client unit Contract review point at 5 years, and an annual review process from year 2 of the contract plan for and follow recommendations for improvements from OFSTED inspections DFE provided statistical neighbours as a benchmark for costs and performance	OFSTED visit in March 21 found improving practice and good leadership although some inconsistencies. Subsequent OFSTED monitoring visits have confirmed this as a general direction. All areas already part of improvement plan and associated action plan to be implemented ahead of first ILACs OFSTED visit April 22. The OFSTED monitoring visit in July 2021 found tangible progress which continues to gain traction in improving experiences, progress and outcomes. Consistency remains an area of focus as does caseload sizes and SW recruitment. A further Ofsted inspection took place in October 21 of the independent Fostering Agency. The Nov 21 Ofsted visit looked at Children in Care 16+ and care leavers and was generally positive and recognised improvement in practice and outcomes but also commented on need for consistency. NCT updating improvement plan to provide concentrated focus on improving consistency of quality of practice and supervision, and on recruiting and retaining social workers
D Potential financial liability if council deemed to be negligent	Service contract sets out responsibility of Trust for any liabilities and issues and controls to avoid breach of duties	Good	Clear targets for improvements in practice, early detection of risk and timescales to review referrals	Contract and performance monitoring and agreed KPIs allow this to be monitored and the Social Care Improvement Board provides a combined approach to improving outcomes. KPIs will be reviewed in April 2022 to ensure fitness for purpose. However continued resource deficiencies within the ICF create a risk
E Potential liabilities or costs if West and North Northants fail to meet obligations for support services or Trust dependencies	Inter Authority Agreement and Support Services Agreement are in place that set out responsibilities and performance standards and which council is responsible for what.	Good	All WNC service directors briefed on dependencies Joint committee in place to manage services and interdependencies including any issues. Contract Support services Agreement clear on services, costs, SLAs and consequences of issues	Joint Committee and Joint Officer Boards now meeting to resolve any issues. Good progress has been made through the Support Services Board that has developed performance measures to ensure that the Council's provide the right support for the Trust to be successful. Contract processes in place to deal with any issues and rectifications



Corporate Services - (risk E04) Workforce skills and capacity

Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)	Comments
A1 High levels of vacancies or turnover and inability to deliver services maintain, meet service standards and meet duties of Council	Recruitment and Retention Plan in place to ensure workforce capacity maintained	Reasonable	Workforce strategy in place with clear Recruitment and Retention approach for staff	People Strategy is under final stages of development and all Assistant Directors (AD's) have done their service plans and ensuring that they meet service standards and duties. Pay Award for 2021/22 has been negotiated and implementation of full package will be complete by 31st Jan 2022. HR Business partners are in place who are supporting AD's, and recruitment and retention data is being monitored and interventions made where necessary with assistance of WNC's Resourcing Advisor. Work is continuing on designing the new
A3	Terms and conditions provide a positive framework for workforce	Reasonable	Negotiation of new WNC terms and conditions reflect employee needs	Day one terms and conditions were in place on 1st April. The next phase of ts and Cs negotiations will commence in March 2023 alongside the development of new WNC paycales and introduction of job family approach. Joint working group running with the Trade Unions and 28% of the workforce have been evaluated as of Sept 21 under new njc job evaluation which will contribute to development of the new payscale.
C2	Strong staff engagement and culture of support and development for all staff	Good	Staff groups in place and regular cycle of staff roadshows or briefing Expansion of ELT to ensure engagement of wider senior staff on recurring basis	Staff networks all launched and sponsored by individual directors/AD's and regular information through intranet, Anna blog, all staff briefings, moving of ELT to different office locations, staff events. Pulse surveys ongoing and employee survey took place across October. Managers are currently reviewing survey results and undertaking action planning.
	Staff development programme and graduate development programme as part of workforce plans	Reasonable	Workforce strategy in place with clear Recruitment and Retention approach for staff	Graduate training programme in place from 2021. People Strategy under development and L and D will be a key workstream. Apprenticeship strategy in place and reviewing use of apprenticeship levy. WNC now working with NMC to Oplus board in place - SR sits on the board, induction has been completed and training for directors in place. AD HR undertakes contract monitoring meetings with OPLUS.
H	Arrangements in place to source appropriate interim resource if needed	Good	Use of OPLUS or trusted agencies for staff	

Corporate Services – (risk E08) Emergency Planning

Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)	Comments
C Inability of council to respond effectively to an emergency	Key contact lists updated monthly. Business Continuity plans for in house and external providers	Good	There is a specific, fully trained WNC employed member of staff covering emergency planning as part of their job role. Training in place for all GOLD, Silver and Bronze leads and rota in place to cover any incidents BCP plans to be refreshed following Unitarisation based on prioritised list in BCP policy to ensure up to date and reflect services now brought to getehr	Active plans are in place to ensure the authority is prepared for a variety of emergencies. Continual improvements are being made as a result of a review of these plans and in partnership with the Local Resilience Forum. Regular meetings are taking place of the Northants Local Resilience Forum (LRF) (Tactical Command Group (TCG) & Strategic Command Group (SCG command structure) and at WNC internally to ensure that we respond proactively to the Covid-19 as it changes. Work has been done to formally disaggregate the shared service with the North to commence on 01 April 2022 and formal arrangements in place to integrate the service under the Assistant Director of Customer Services.
D Unnecessary hardship to residents and/or communities	Dedicated Emergency Planning Officer in post to review, test and exercise plan and to establish, monitor and ensure all elements are covered. Dedicated reception centres in place in case of evacuation.	Good	Active participation in LRF response to Covid-19 situation Continuation of COVID 19 governance and central oversight post Unitary to ensure outbreak and impacts monitored and changes in national guidance managed. Economic and community COVID recovery plans being developed	Emergency rotas in place for the year and a report on future of LRF and approach to emergency planning is in train. This will include the need for planned sessions to test the arrangements and ensure the right level of attendance at the county level. Work has commenced to develop a more robust approach to managing emergencies rather than the reliance on a few specialist emergency officers which will form part of the new operating model for EP and BC. This includes the development of Gold and Silver capacity and consideration for a

Corporate Services – (risk E10) Information Security

Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)
A1 Loss of critical systems and Service failure	Disaster Recovery Plan in place	Reasonable	New Architecture and Security leads recruited Refreshed DTI strategy being drafted to review architecture and reduce/remove points of potential failure. Plans and principles for future decisions to be reviewed as part of architectural work.
A2	File and Data encryption on computer devices	Good	We have cyber-essentials plus certification and comply with best practice. Incoming Head of Cyber will review processes to ensure they remain robust.
B Data loss/ inability to switch to alternative data centre results in significant delays in re-provisioning services	Regular DR tests and Back up of data Development of DR capability within WNC infrastructure of offsite external hosting	Reasonable	Replication and back ups of key data for critical systems WNC DR assessment to be undertaken and plan developed setting out risk areas and prioritisation of any changes to infrastructure or DR plans
G Unlawful disclosure of sensitive information	Robust information and data related incident management procedures in place	Good	IM board in place to oversee key issues

Adults, Communities and Wellbeing - (risk E07) Strategic Community Partners

Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)
F Inability to meet and manage the demands of homelessness in the Borough	Northampton Partnership Homes (NPH) Rigorous budget and performance monitoring in place Regular financial reporting to Management Board, Portfolio-Holder & Cabinet	Reasonable	Plans to introduce client manager for better visibility and controls Follow up on Audit January 21 report on NPH and recommendations to improve oversight. An external, independent review of the working relationships and partnership between WNC and NPH has been commissioned. The review has been co-produced with NPH and the recommendations will be available by 31 March 2022.

- 3.7 The next full update from all service areas will be undertaken during February and March to ensure a quarterly reporting date of 31 March 2022.
- 3.8 The number of strategic risks need to reflect the key risks the authority is currently facing but needs to be focussed to ensure those risks are properly managed and mitigated. Too many risks will lead to a lack of focus in addressing the key areas of risk.
- 3.9 The risk register highlights 12 strategic risks which will receive the focus of the executive leadership team to address.
- 3.10 The risk management uses a 5 x 5 risk assessment matrix highlighting the likelihood of each of the risks happening and the impact those risks will have if they do come to pass. The highest score a risk can be given therefore is 25.
- 3.11 Two risk scores are provided in the appendix for each of the risks. An 'inherent' risk score which is assessed as if no controls or mitigating actions were in place. Mitigations are then highlighted and each score is re-assessed taking into account those mitigating actions to provide a 'residual' score for each risk.
- 3.12 The residual score and the direction of travel for each of the risks is summarised in the table below:



Executive Leadership Risk	Residual Score	Direction of travel	Latest Update
E01 Financial Resilience & Sustainability	12 medium risk	↔	Ongoing impact of Covid-19 continues to affect all Council activities, mitigating actions and funding in place to reduce
E02 Statutory functions	12 medium risk	↔	
E03 Childrens Trust	12 medium risk	↔	Childrens trust live in Nov 20 and arrangements now with WNC & NNC from April 21
E04 Workforce Capacity and skills	9 Low risk	↔	
E05 West Strategic Plan	12 medium risk	↔	
E06 Economic Recovery	16 High Risk	↔	Recovery Planning commencing as national lockdown release confirmed and impacts can be assessed alongside wider initiatives & funding
E07 Strategic Community Partners	9 Low risk	↔	
E08 Critical Incidents	12 medium risk	↔	Significant resource still utilised in COVID response but moving to restore, recover and react stage
E09 Health & Safety	9 Low risk	↔	
E10 Information Security	15 medium risk	↔	
E11 Local Government Reorganisation closure	9 Low risk	↔	
E12 Corporate Governance	6 Low risk	↔	

3.9 These risks will be reviewed on a regular basis and reported back to the Audit and Governance Committee on quarterly basis. Any new and emerging risks will also be considered as part of this process.

4. Implications (including financial implications)

4.1. Policy

4.1.1. There are no significant policy implications arising from this report.

4.2. Resources and Risk

4.2.1. The Council's strategic risks are contained within attached Appendix.

4.3. Legal

4.3.1. There are no significant legal issues associated with this report.

4.4. Equality and Health

4.4.1. There are no significant equality and health issues associated with this report.

Report Author: Martin Henry Executive Director – Finance S151 Officer

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West Northamptonshire Council

Executive Risk Register

Quarterly Review - as at 31st December 2021.

This update will be reviewed by ELT on 17th January 2022 prior to Audit Committee on 26th January.

What this document is

This document sets out the Council's leadership risks. These are the primary risks to the Council. The attached register explains the risks and their inherent levels, together with mitigating actions being taken to reduce the risks to the residual level shown. The register is reviewed and updated by the Council's Executive Leadership Team monthly, and reported to Members quarterly.

The risk register shows how the Council is responding to risks resulting from Covid-19 while the pandemic's effects are still being felt and until the level of incident is deemed to have reduced and business as usual resumed. An additional column has been inserted for each risk.

Changes in risk this month - at a glance

Executive Leadership Risk	Residual Score	Direction of travel	Latest Update
E01 Financial Resilience & Sustainability	12 medium risk	↔	Ongoing impact of Covid-19 continues to affect all Council activities, mitigating actions and funding in place to reduce impacts
E02 Statutory functions	12 medium risk	↔	

E03 Childrens Trust	12 medium risk	↔	Childrens trust live in Nov 20 and arrangements now with WNC & NNC from April 21
E04 Workforce Capacity and skills	9 Low risk	↔	
E05 West Strategic Plan	12 medium risk	↔	
E06 Economic Recovery	16 High Risk	↔	Recovery Planning commencing as national lockdown release confirmed and impacts can be assessed alongside wider initiatives & funding
E07 Strategic Community Partners	9 Low risk	↔	
E08 Critical Incidents	12 medium risk	↔	Significant resource still utilised in COVID response but moving to restore, recover and react stage
E09 Health & Safety	9 Low risk	↔	
E10 Information Security	15 medium risk	↔	
E11 Local Government Reorganisation closure	9 Low risk	↔	
E12 Corporate Governance	6 Low risk	↔	

Level of risk	How the risk should be managed
High Risk (16-25)	Requires active management to manage down and maintain the exposure at an acceptable level. Escalate upwards.
Medium Risk (10 -15)	Contingency Plans - a robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile.
Low Risk (1 – 9)	Good Housekeeping - may require some risk mitigation to reduce the likelihood if this can be done cost effectively, but good housekeeping to ensure that the impact remains low should be adequate. Re-assess frequently to ensure conditions remain the same.

Risk Scorecard – Residual Risks						
		Likelihood				
		1 - Very rare	2 - Unlikely	3 - Possible	4 - Likely	5 - Very likely
Impact	5 - Very High					
	4 - High					
	3 - Medium					
	2 - Low					
	1 - Negligible					

Risk Definition	
Exec Leadership	Strategic risks that are significant in size and duration, and will impact on the reputation and performance of the Council as a whole, and in particular, on its ability to deliver on its corporate priorities
Operational	Risks to systems or processes that underpin the organisation’s governance, operation and ability to deliver services

pact

E01 - Financial Resilience – The Council's finances are not sustainable and stable as a result of economic shock, poor decisions or controls on investment or expenditure or unexpected demand

Inherent risk level		Lead Member - Finance Portfolio Holder (Councillor Malcolm Longley)		Residual risk level	
Likelihood	4	Risk Owner - Chief Executive (Anna Earnshaw)		Likelihood	3
Impact	4	Risk Manager - Executive Director Finance (Martin Henry)		Impact	4
Inherent risk score	16			Residual risk score	12
		Put the date DD/MM/YY when reviewed in box below ↓		Direction of travel	←→
		13/01/22		Identify updated text with red font. Say what columns were updated in box>>>	

Ongoing COVID impacts

Potential impact if risk not mitigated		Controls	Control assessment	Actions	Comments
A1	COVID National emergency creates unfunded cost, demand and income pressures	COVID reserves brought forward from sovereign Councils to mitigate the ongoing impacts and risks of demand	Good	Finance have pulled together monitoring information on all COVID funds received so they can be tracked and monitored. COVID meeting held weekly which discusses the latest position on responding to the pandemic, considers business cases and tracks and monitors spend against some of the COVID funding.	
A2		Continuation of national grants to address loss of income, additional costs of social care and infection control measures.	Reasonable	Maintenance of central financial control and tracking for all COVID spend and income developed and being used to monitor and track COVID spend and remaining balances	
A3		Budget set for 21/22 includes provision for pressures on care and loss of income during the year	Good	Finance maintain tracking of pressures against assumptions and monthly financial reports of any new or emerging risks Covid contingencies continue to be held to deal with the pandemic.	
B	Childrens demand rises leading to overspend in the Trust not visible to the Council and causes cost pressure on the budget of WNC	Regular and detailed financial reporting through the strategic and operational group meetings and use of contract mechanisms to hold trust to account and seek mitigations of pressures before Council support sought.	Good	Detailed financial report to be provided monthly from March 21	Trust advised on level of detail and assurance required. Outturn reported for P11 is expected to be £2m underspend At the end of the first quarter there are no significant pressures being highlighted.
C1	Inability to deliver financial efficiencies in line with budget assumptions	Savings slippage mitigated through COVID funding	Good	Savings tracker being implemented. The tracker was considered on the 24/05 for information.Finance will continually monitor the savings and report back to ELT regularly on them.	The budget monitoring process is also picking up and considering delivery of the efficiencies built into the base budget and will highlight any that appear to be off target.
C2		Transformation plans in place to ensure that efficiencies from aggregation delivered	Good	The overall transformation budget is being scrutinised to determine its robustness. The budget will be re-cast to reflect the budget required to deliver transformation and an exercise is ongoing to gather up all of the different funding pots so they can be managed in one area.	
C3		Robust business planning process and savings monitoring to ensure savings deliverable and all dependencies are met	Good	Corporate business case process, robustness challenges and tracking to be put in place	Budget monitoring will highlight any service pressures and savings slippage and will seek to agree management action to bring any adverse variance under control.
C4		Financial planning for 22-23 and 3 year MTFP starts as early as possible to ensure required efficiency or funding in place to meet predicted service costs and demands	Good	Financial planning cycle and steps to be set out and plans developed to quantify plans, improvements and savings for 3 year MTFP	Budet timetable and process being developed. Star chamber sessions to take place in September to scrutinise service areas and highlight any budget issues or pressures that need to be addressed through the budget and medium term revenue plan process.
D	Costs and pressures arise from LGR process and configuration of services as liabilities and costs not clear or stranded costs created	Robust budget disaggregation and prudent budget planning until steady state created and full cost base and income clear and stable	Needs developing	Joint committee early cycle needs to resolve all outstanding budget uncertainty and IAAs need to be finalised with clear cost parameters and pressures reported into Budget reporting	Joint Officer Board and Joint Committee meetings have now commenced strengthening the previous governance arrangements that were in place.
E	Reserves insufficient to address unexpected financial shock, demand or funding gap	Reserves built up from sovereign councils to provide a solid based and to be maintained at prudent levels	Good		Level of reserves greater than the amount assumed when the final budget for 2021-22 was set.

E01 - Financial Resilience – The Council's finances are not sustainable and stable as a result of economic shock, poor decisions or controls on investment or expenditure or unexpected demand

Inherent risk level		Lead Member - Finance Portfolio Holder (Councillor Malcolm Longley)		Residual risk level	
Likelihood	4	Risk Owner - Chief Executive (Anna Earnshaw)		Likelihood	3
Impact	4	Risk Manager - Executive Director Finance (Martin Henry)		Impact	4
Inherent risk score	16			Residual risk score	12
		Put the date DD/MM/YY when reviewed in box below ↓		Direction of travel	↔
		13/01/22		Identify updated text with red font. Say what columns were updated in box>>>	

Ongoing COVID impacts

Potential impact if risk not mitigated	Controls	Control assessment	Actions	Comments
F Audits of 19/20 and 20/21 accounts for predecessor councils result in adjustments to WNC budgets	Closure team maintained with the knowledge of predecessor councils to support closedown and audits and ensure any risks are recorded and mitigated	Good	awaiting outcomes of the audits being completed within NCC and NBC prior to close and to check opening balance impacts in WNC	Closure of accounts going well. Draft accounts prepared for audit for SNC and DDC for 2020-21. Accounts for 2019-20 and 2020-21 for NBC and NCC will follow.
G Reduced medium and long term financial viability	Medium Term Revenue Plan reported regularly to members. Budget monitoring timetable, robust financial management arrangements, close working relationship between finance, budget managers and directors, comprehensive financial reporting including the identification of budget variances, risk and mitigations when required. Monthly budget monitoring is now reporting separately on business as usual and Covid19 related spend	Good	Financial planning cycle and steps to be set out and plans developed to quantify plans, improvements and savings for 3 year MTFP	
H Reduction in services to customers	Balanced budget with no service reductions already agreed and underway.	Good	ZBB exercise to ensure that detailed budgets reflect the agreed level of service provision and performance for all service areas.	Significant progress has been made in respect of the detailed budgets and ZBB process for 2021-22.
I Reduced income	Detailed income tracking, forecasting and modelling of income and early warnings of any variations to plan through budget reporting	Good	Robust Monthly budget cycle reporting to ELT and oversight Boards commence with emphasis on key areas of pressure and spend. The approach continues to be developed but monitoring will look at income streams as well as expenditure pressures.	
J Reduced financial returns (or losses) on investments/assets	Good networks established locally, regionally and nationally	Good	Asset Management and Capital Strategy to be reviewed and refreshed in the year (21/22).	
	Governance committee to be established for all capital plans and spend	Good	All potential investments to now be taken through ELT/Committee prior to formal sign off. Robust review and challenge of our investment options to be regularly undertaken through our usual monitoring processes.	Capital Approvals Board set up and has already had its inaugural meeting improving the governance arrangements in this area.
K Poor customer service and satisfaction	Performance and finance reviews of all services and robust transformation and service planning to avoid any deterioration on services as a result of financial pressures	Good		Service planning scrutiny will take place through the star chambers process that is scheduled to take place in September.
L Lack of officer capacity or skills to meet service demand and support robust financial management	Finance structure designed to ensure experienced support to all service areas and functions. Vacancies to be recruited asap. Financial procedure rules are in place to ensure services follow good practice. External advisors as required	Good		The interim finance structure has settled down well and the majority of vacant posts have been filled with experienced finance officers.
M Decisions taken by legacy authorities will lead to significant financial pressures that have not been budgeted for in West Northamptonshire	As decisions come forward they are being scrutinised with more rigour to ensure ELT are supportive of those proposals.	Good		

E01 - Financial Resilience – The Council's finances are not sustainable and stable as a result of economic shock, poor decisions or controls on investment or expenditure or unexpected demand						
Inherent risk level		Lead Member - Finance Portfolio Holder (Councillor Malcolm Longley)		Residual risk level		
Likelihood	4	Risk Owner - Chief Executive (Anna Earnshaw)		Likelihood	3	
Impact	4	Risk Manager - Executive Director Finance (Martin Henry)		Impact	4	
Inherent risk score	16			Residual risk score	12	
		Put the date DD/MM/YY when reviewed in box below ↓ 13/01/22		Direction of travel	↔	
				Identify updated text with red font. Say what columns were updated in box>>>		Ongoing COVID impacts
Potential impact if risk not mitigated		Controls	Control assessment	Actions	Comments	

E02 - Statutory functions – Failure to deliver statutory duties to residents, including safeguarding duties to vulnerable residents and children

Inherent risk level		Lead Member - Portfolio Holder for Adult care, Wellbeing and Health Integration (Councillor Matt Golby). Portfolio Holder for Children, Families and Education (Councillor Fiona Baker)	Residual risk level	
Likelihood	3	Risk Owner - Chief Executive (Anna Earnshaw)	Likelihood	3
Impact	5	Risk Manager - Executive Director Adults, Communities and Wellbeing (Stuart Lackenby) and Director of Childrens Services (Cathi Hadley)	Impact	4
Inherent risk score	15		Residual risk score	12
		Put the date DD/MM/YY when reviewed in box below ↓ 12/01/22	Direction of travel	↔
			Identify updated text with red font. Say what columns were updated in box>>>	No change

Ongoing COVID impacts

Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)	Comments
A1 Harm to residents or loss of life due to failure to Safeguard	Screening of all cases where Risk flagged internally or by Partner organisations	Good	Risks and issues associated with Statutory functions regularly reviewed and case rates for referral to safeguarding or serious cases tracked and monitored	Covid-19 has had an impact - risk of hidden or undetected harm - screening, rates and Staffing resources also being kept under constant review
A2	Early warning mechanisms in place and records updated with any concerns so immediate action or intervention can occur on notification of a concern	Reasonable	Safeguarding routes and monitoring fully staffed. Quality and safeguarding processes and reviews maintained and undertake regularly	Care home tracker in place nationally with tracking or all care homes for early warning signs alongside CQC monitoring
A3	Caseloads monitored to ensure that issues and risks not missed and all cases are allocated and subject to review	Good	Caseloads tracked and audit and assurance checks undertaken	
A4	Oversight and monitoring of Childrens Trust	Reasonable	Strategic and operational group monthly monitoring of Trust performance against KPIs and contract remedies in the case of failures	
B1 Non compliance with regulations, legislation and data protection if services deemed not to be safe and legal on transfer to West Northants Council from future Northants	IAAs in place with clear responsibilities and data sharing agreements where data, systems or staff are shared	Good		
B2	Critical products lists from FN tracked and checked with plans in place for post transfer to deal with any snagging issues or failures to meet duties	Good	Post day 1 tracker of all outstanding actions required	
C1 Legal challenge	Embedded system of legislation, training and policy tracking in place, with clear accountabilities, reviewed regularly by Directors.	Reasonable	LGR checks and policy reviews done on all critical and statutory policies for day and corporate repository available on intranet for staff set. Corporate intranet repository and accountability for policy/legislative changes	Clear action plan for review of all remaining policies to be checked and uploaded post vesting day EDs and ADs address potential policy / legislative changes through a DMT standard agenda item.
C2	Clear accountability for responding to consultations with defined process to ensure Member engagement	Good	Clear process for managing consultations	No direct Covid-19 impact.

Potential impact if risk not mitigated		Controls	Control assessment	Mitigating actions (to address control issues)	Comments	
D1	Ineffective practice/ professional standards leads to poor decision making, outcomes and interventions for poor performance	Risk assessment or initial screening of all cases into adults and childrens to ensure risks identified	Good	Adults and Childrens have intake teams that risk assess all initial contacts and all high risk cases passed to safeguarding for checks	Risk of hidden harm when services not fully open and clients in sight of social workers and support teams	
D2		Training and development for professional staff	Good	Staff training for all staff engaged in statutory services to ensure legislation, controls and compliance understood		
D3		Adequate number of qualified and permanent staff employed to manage statutory functions	Good	Gap analysis and skills audit of all WNC teams to assess where staff inadequate to be safe statutory services	Risk in environmental health services during pandemic as less BAU work when focus is compliance with restrictions and lockdown	
E1	Failure of care providers	Commissioning and quality teams ensure service standards are met and investigations are completed where reported concerns or as part of regular compliance checks	Reasonable	Quality and safeguarding processes and reviews maintained and undertake regularly	Care home tracker in place nationally with tracking or all care homes for early warning signs alongside CQC monitoring	
E2		Ensure Market sustainability responsibilities met	Good	Care Provider Market managed and reviewed to ensure that meets current and emerging need and that fee and contract framework support sustainability	Additional funding for providers during COVID to help meet COVID and PPE costs	
F		Support with the mandatory vaccination programme to minimise loss of workforce	Reasonable	Wide programme of work with system and PH to support providers and their workforce to maximise vaccination take up	To be monitored through the care home tracker by ACW SLT.	
G1	Potential financial liability if council deemed to be negligent	Clear accountability for horizon scanning, risk identification / categorisation / escalation and policy interpretation in place	Reasonable	ELT fully engaged	SMT receives a wide variety of reports/information to ensure that it gives its attention to strategy and horizon scanning. To ensure that SMT is fully sighted on all items, it has compiled an SMT tracker that links into the committee and BPM forward plans.	No direct Covid-19 impact.
G2		Robust Committee forward plans to allow member oversight of policy issues and risk management, including Scrutiny and Audit	Reasonable	Ensure committee forward plans are reviewed regularly by senior officers	To ensure that ELT is fully sighted on all items and forward plan tracker that links into the committee and BPM forward plans.	No direct Covid-19 impact.
G3		Internal Audit Plan risk based to provide necessary assurances	Reasonable	Ensure Internal Audit plan focusses on key leadership risks	Internal Audit Plan is approved and monitored by SMT and the Audit Cttee	Covid-19 has had some impact on the implementation of some internal audit recommendations (GDPR). These were recalibrated and are now back on track.
G4		Safeguarding Adults & Childrens boards in place with multi agency presence and accountability	Reasonable	New board constituted post Uнитарisation and new cahir and assurance roles to be put in place		
H	Unexpected largescale emergency event impacting population health and wellbeing.	Robust Business continuity and critical incident plans in place in all areas and corporately	Reasonable	Corporate BCP Policy, Critical Incident and Emergency duty rotas in place and shared EP function with North for day 1	Need to undertake review priority services BCP plans to ensure that still appropriate for WNC after services from predecessor Councils merged	
I	Workforce qualified and trained to identify and act on risks	Safer recruitment practices and DBS checks for staff in regulated roles.				

E03 - Childrens Trust - there is a risk that the quality of social care does not improve and demand and finances are not controlled by the trust leading to continued poor ratings, intervention and additional cost to the Council who remain statutorily responsible despite having no delivery responsibility

Inherent risk level		Lead Member - Portfolio Holder for Children, Families and Education (Councillor Fiona Baker)		Residual risk level		
Likelihood	4	Risk Owner - Director of Childrens Services (Cathi Hadley)		Likelihood	3	
Impact	4	Risk Manager - Chief Executive - NC Trust (Colin Foster)		Impact	4	
Inherent risk score	16			Residual risk score	12	
		Put the date DD/MM/YY when reviewed in box below ↓		Direction of travel	↔	
		04/01/22		Identify updated text with red font. Say what columns were updated in box>>>	No change	Ongoing COVID impacts
Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)	Comments		
A	Democratic process and transparency not adhered or despite legal responsibility remaining with the Council	Intelligent Client Function (ICF) is in place and Clear governance arrangements set out in the contract with monitoring of performance and financial plans via operations board and strategic board	Good	Trust Risk Register, improvement plans and KPI performance reported to Operations Board on a monthly basis allowing early site and mitigation of issues. Contract allows for Trust to be called into Democratic meetings 3 times annually plus any agreed additional meetings to talk about service and performance	ICF recruitment delayed by 6 months and planned financial and administrative support not in place to service the agreed Governance processes. This prevents proper control through the ICF being fully effective. The Trust has continued to improve its performance reporting. The loss of the joint DCS may create a short term gap in oversight that the ICF will need to mitigate	
B	Council becomes financially unviable due to unexpected additional costs and demand for care and additional investment required by Trust	Service Delivery Contract ensures clear contract price and ongoing monitoring of performance, delivery of outcomes and financial sustainability by Councils Client function	Reasonable	Monthly reports received on financial outturn and performance of service. Variations to contract price subject to clear actions by trust to mitigate and use reserves before seeking additional funds	A provisional budget for 2022/23 and indicative figures for subsequent years have now been agreed and will be built into WNC and NNC budget planning processes	ongoing risk of additional or hidden demand. - COVID funding extended to cover continued additional trust staff to manage cases and proactive follow up. Childrens return to school March 21 in excess of 95% and reduces some of risk as more visibility but ongoing review of those not attending or at risk
C	Councils childrens services remain inadequate with poor practice, poor support for children and families and poor outcomes for children at risk or in care	Service delivery contract includes target service standards and KPIs for Trust and business plan includes clear improvement plan tasks agreed with DFE and commissioners	Reasonable	Clear Improvement plan and business plan outcomes set out and tracked by Council Client unit Contract review point at 5 years, and an annual reiew process from year 2 of the contract plan for and follow recommendations for improvements from OFSTED inspections DFE provided statistical neighbours as a benchmark for costs and performance	OFSTED visit in March 21 found improving practice and good leadership although some inconsistencies. Subsequent OFSTED monitoring visits have confirmed this as a general direction. All areas already part of improvement plan and associated action plan to be implemented ahead of first ILACs OFSTED visit April 22. The OFSTED monitoring visit in July 2021 found tangible progress which continues to gain traction in improving experiences, progress and outcomes. Consistency remains an area of focus as does caseload sizes and SW recruitment. A further Ofsted inspection took place in October 21 of the independent Fostering Agency. The Nov 21 Ofsted visit looked at Children in Care 16+ and care leavers and was generally positive and recognised improvement in practice and outcomes but also commented on need for consistency. NCT updating improvement plan to provide concentrated focus on improving consistency of quality of practice and supervision, and on recruiting and retaining social workers	
D	Potential financial liability if council deemed to be negligent	Service contract sets out responsibility of Trust for any liabilities and issues and controls to avoid breach of duties	Good	Clear targets for improvements in practice, early detection of risk and timescales to review referrals	Contract and performance monitoring and agreed KPIs allow this to be monitored and the Social Care Improvement Board provides a combined approach to improving outcomes. KPIs will be reviewed in April 2022 to ensure fitness for purpose. However continued resource deficiencies within the ICF create a risk	
E	Potential liabilities or costs if West and North Northants fail to meet obligations for support services or Trust dependencies	Inter Authority Agreement and Support Services Agreement are in place that set out responsibilities and performance standards and which council is responsible for what.	Good	All WNC service directors briefed on dependencies Joint committee in place to manage services and interdependencies including any issues. Contract Support services Agreement clear on services, costs, SLAs and consequences of issues	Joint Committee and Joint Officer Boards now meeting to resolve any issues. Good progress has been made through the Support Services Board that has developed performance measures to ensure that the Councils provide the right support for the Trust to be successful. Contract processes in place to deal with any issues and rectifications	
D4						

EO4 - Workforce skills and capacity – Inability to attract or retain staff with the right skills, experience and understanding to deliver outcomes

Inherent risk level		Lead Member - Portfolio Holder for HR and Corporate Services (Councillor Mike Hallam)		Residual risk level	
Likelihood	4	Risk Owner - Chief Executive (Anna Earnshaw)		Likelihood	3
Impact	4	Risk Manager - Executive Director Corporate (Sarah Reed)		Impact	3
Inherent risk score	16			Residual risk score	9
		Put the date DD/MM/YY when reviewed in box below ↓		Direction of travel	↔
		10/01/22		Identify updated text with red font. Say what columns were updated in box>>>	Comments updated

Ongoing COVID impacts

Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)	Comments	
A1 High levels of vacancies or turnover and inability to deliver services maintain, meet service standards and meet duties of Council	Recruitment and Retention Plan in place to ensure workforce capacity maintained	Reasonable	Workforce strategy in place with clear Recruitment and Retention approach for staff	People Strategy is under final stages of development and all Assistant Directors (AD's) have done their service plans and ensuring that they meet service standards and duties. Pay Award for 2021/22 has been negotiated and implementation of full package will be complete by 31st Jan 2022. HR Business partners are in place who are supporting AD's, and recruitment and retention data is being monitored and interventions made where necessary with assistance of WNC's Resourcing Advisor. Work is continuing on designing the new pay and grading and creation of job families which will support career progression.	Work is actively taking place in relation to position for Care Homes and the need for double covid vaccinations. WNC actively working with Trade Unions and sharing practice between Council and Children's Trust
A2	Resources are aligned to priorities and staff deliver value	Good	Service structures reviewed to ensure sufficient capacity as part of service planning cycle	As well as service planning (see above) all AD's are reviewing their staffing and finance and this is a key focus of the overall transformation programme (enabling)	Detailed exercise ongoing looking at Vacancies across all directorates and ensuring that ERP Gold is up to date
A3	Terms and conditions provide a positive framework for workforce	Reasonable	Negotiation of new WNC terms and conditions reflect employee needs	Day one terms and conditions were in place on 1st April. The next phase of Ts and Cs negotiations will commence in March 2023 alongside the development of new WNC payscales and introduction of job family approach. Joint working group running with the Trade Unions and 28% of the workforce have been evaluated as of Sept 21 under new njc job evaluation which will contribute to development of the new payscale.	
B Demoralised workforce or high absences due to workloads and stress	Council has good management policies and practices as is seen as an employer of choice	Reasonable	Workforce strategy in place with clear Recruitment and Retention approach for staff	Work is continuing on development of new WNC HR Policies and procedures, developed in consultation with the trade unions. This is also aligned to the people strategy development to become an employer of choice. It also links to work on culture and values and ensuring that directors and AD's provide the right working conditions	
C1 Loss of staff to other organisations if seen as offering better prospects	Terms and conditions are comparable and benchmarked to attract and retain staff	Reasonable	Workforce strategy in place with clear Recruitment and Retention approach for staff	See above regarding development of new WNC pay and grading structure.	
C2	Strong staff engagement and culture of support and development for all staff	Good	Staff groups in place and regular cycle of staff roadshows or briefing Expansion of ELT to ensure engagement of wider senior staff on recurring basis	Staff networks all launched and sponsored by individual directors/AD's and regular information through intranet, Anna blog, all staff briefings, moving of ELT to different office locations, staff events. Pulse surveys ongoing and employee survey took place across October. Managers are currently reviewing survey results and undertaking action planning.	
D Inability to maintain business as usual and sustain transformation programme plans	Permanent transformation team in place and ability to access resources so services can be delivered with minimal disruption to staff and customers	Reasonable	Use of interim staff as required or additional resource/backfill funding approved from business cases with clear ROI	Under constant review, transformation team has successfully recruited to key positions and the development of a council wide transformation plan will support the delivery of a focused improvement programme	
E1 No resilience if staff leave or absent	Managers forums and engagement in place to support strong and positive workforce plans and approaches	Reasonable	Use of temporary agency or interim staff	Extended ELT happening regularly. Managers leadership and development course launched in June. People strategy is being developed.	
E2	Succession planning in place for teams to ensure that resilience in teams and services	Reasonable	Service structures reviewed to ensure sufficient capacity as part of service planning cycle	This will form part of the workforce strategy and a consideration for workforce modelling	

Potential impact if risk not mitigated		Controls	Control assessment	Mitigating actions (to address control issues)	Comments	
		Staff development programme and graduate development programme as part of workforce plans	Reasonable	Workforce strategy in place with clear Recruitment and Retention approach for staff	Graduate training programme in place from 2021. People Strategy under development and L and D will be a key workstream. Apprenticeship strategy in place and reviewing use of apprenticeship levy. WNC now working with NNC to disaggregate L and D ensure training and development fully embedded into our organisation later in 2022.	
F	Risk of financial claims and workforce retention issues from two tier workforce	Workforce terms and conditions harmonised to avoid two tier or unequal pay challenge	Reasonable	Union and workforce project to move to harmonised terms at the earliest opportunity	Will be phase 3 of the pay and grading work, but unlikely prior to 2023	
G1	Financial impact due to use of agency staff	Succession planning for key roles	Good	Service structures reviewed to ensure sufficient capacity as part of service planning cycle	Capacity kept under review by managers and ELT, management information will be provided by HR business partners to ensure regular assessment	Some staff who are spending a considerable time on dealing with Covid-19 may find it difficult to attend training etc. But generally 1:1s are still being held, and most training is available online and can be provided at times to suit the trainee.
H		Arrangements in place to source appropriate interim resource if needed	Good	Use of OPUS or trusted agencies for staff	Opus board in place - SR sits on the board, induction has been completed and training for directors in place. AD HR undertakes contract monitoring meetings with OPUS.	No direct Covid-19 impact.
I	Inability to deliver council's plans	Delegations to Chief Exec and other senior officers agreed to ensure timely decisions	Reasonable	Review CE and other senior officers' delegations. Keep general staffing levels and critical services under review.	General and emergency delegations in place to cover critical incidents General staffing levels and critical services are being kept under review by the Tactical Command Group (TCG). Recovery plans have been drawn up to deal with backlogs. The Health and Safety covid group has recommenced to also ensure services come back safely in person where business case is in place.	See comments column

E05 West Strategic Plan – Failure to complete a plan creates a lack of strategic direction and certainty for developers or investors leading to regeneration stalling, job loss and poor prospects							
Inherent risk level		Lead Member - Portfolio Holder for Planning, Built Environment and Rural Affairs (Councillor Rebecca Breese)		Residual risk level			
Likelihood	4	Risk Owner - Executive Director Place and Economy (Stuart Timmiss)		Likelihood	3		
Impact	4	Risk Manager - Assistant Director Economic Growth & Regeneration (Jim Newton)		Impact	4		
Inherent risk score	16	Put the date DD/MM/YY when reviewed in box below↓ 12/01/22		Residual risk score	12		
				Direction of travel	↔		
				Identify updated text with red font. Say what columns were updated in box>>>			Ongoing COVID impacts
Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)	Comments			
A1 Developers challenge the basis of the five year land supply pending the publication of the West Strategic plan and new 5 year land supply from 2024	West Strategic Plan published with clear vision, priorities and 5 year land supply set out following period of analysis, consultations and options development	Reasonable	Draft Plan developed for consultation with public and stakeholders post september 21. Completion Northamptonshire Strategic Infrastructure to test scenarios and options for development				
B Inability to attract the required private investment to complete regeneration plans in Northampton Forward Plan	Prospectus in place for investors setting out our plans, opportunities and vision and engage market, partnerships and funding forums to develop pipeline of viable opportunities.	Reasonable	Collate all Northampton Opportunities with vision, details and investment Draft of prospectus for approval by joint planning unit and members				
Missed investment from government for regeneration or levelling up funding as no clear plan and strategic framework to support decision	Pipeline of priority projects and speculative schemes assessed against the criteria agreed with members	Good	Options summary developed for discussion and agreement with Members and MPs assessed against published criteria				
Economy suffers as a result of no planned and stimulated growth leading to less jobs and prospects for residents	Economic recovery plan in place post COVID	Poor	Economic recovery plan to be worked up with clear activities to stimulate new business, maximise investment, help business diversify and support reopening of retail				

E06 Economic Recovery - West Northants recovery from COVID is not supported and managed in a strategic and timely way leading to long term unemployment, a downturn in economy and reduction in prosperity						
Inherent risk level		Lead Member - Portfolio Holder for Economic Development, Town Centre Regeneration and Growth (Councillor Lizzy Bowen)	Residual risk level			
Likelihood	4	Risk Owner - Executive Director Place and Economy (Stuart Timmiss)	Likelihood 4			
Impact	5	Risk Manager - Assistant Director Economic Growth & Regeneration (Jim Newton)	Impact 4			
Inherent risk score	20	Put the date DD/MM/YY when reviewed in box below ↓ 12/01/22	Residual risk score 16			
			Direction of travel ↔			
			Identify updated text with red font. Say what columns were updated in box>>>			
Potential impact if risk not mitigated		Controls	Control assessment	Mitigating actions (to address control issues)	Comments	Ongoing COVID impacts
A	Significant job loss means greater reliance on Council tax support and Council services increasing costs	Understand where job opportunities are post COVID and skills gaps to maximise return to work	Poor	Survey businesses maximise use of government funding and employment schemes Look at business Incubation schemes		
B	Exodus of large employers as we fail to retain their business making West Northants an unattractive investment area for new businesses	Engage major employers in west Northants	Reasonable	Develop engagement strategy to understand plans, gaps and share prospectus for change and growth. Maximise use of all government funding opportunities. Use of BID to support business		
C	Reduced spending leads to the closure of more retail and offices and business rates income reduction creating cost pressure	Economic strategy and prospectus for business and retail in West Northants	Poor	Research retail trends, spend and business support schemes to stimulate new business or business models		
D	Reduced prosperity leaves of inequality issues for most deprived areas and more reliance on foodbanks and other support	Anti poverty and health inequality strategies in place to supported targeted intervention and support plans	Reasonable	Set up multi agency Anti poverty working group to look at issues, causes and options. Progress health inequalities strategy within the ICS to look at hotspots and develop plans to reduce the gaps		
E	Greater of homelessness and demand on council housing or temporary accommodation	Strategic plan for reduced homelessness and greater council house or social housing provision	Reasonable	development of west Housing & Homelessness strategy		
F	Increased Debt as a result of inability to pay	economic strategy, anti poverty starategy and developemnt of financial support for residents before crisis	Reasonable	ensure support schemes in place with access to early advice and support for debt management		

E07- Strategic Community Partners – Financial failure of a public sector partner organisation. Failure to build the necessary partnership relationships to deliver our strategic plan. Failure to ensure the necessary governance of third party relationships (council businesses, partners, suppliers). ☒

Inherent risk level		Lead Member - Portfolio Holder for Community Safety and Engagement, and Regulatory Services (Councillor David Smith)/Portfolio Holder for Culture, Leisure and Housing (Councillor Adam Brown)	Residual risk level	
Likelihood	4	Risk Owner - Executive Director Adults, Communities and Wellbeing (Stuart Lackenby)	Likelihood	3
Impact	4	Risk Manager - Assistant Director Housing & Communities (Jo Barrett)	Impact	3
Inherent risk score	16		Residual risk score	9

Put the date DD/MM/YY when reviewed in box below ↓
07/01/22

Direction of travel
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No change

How has this risk been affected by Covid-19 and what mitigating actions have you made as a result?

Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)	Comments	How has this risk been affected by Covid-19 and what mitigating actions have you made as a result?
A Potential reduction in service areas funded by Partners resulting in an unplanned increase in demand on Council functions or call on budgets leading to service difficulties.	Robust governance/contract management framework in place for key third party relationships	Good	Review existing arrangements/ contracts post Unitarisation to ensure appropriate governance and clarity on roles and responsibilities Impact of potential Partnership budgets and financial plans need to be reviewed for changes proposed and / or made and impact assessed. Ongoing meetings with health CEOs	Clr and Officer appointments to Council owned companies being reviewed Ongoing Monitoring of impacts of New Integrated Care Sysytems and Financial Operating Framework for health to assess any onward impact	All partnering arrangements have worked effectively during the covid crisis.
B Poor service delivery	Partnerships have record keeping/ performance monitoring / accountability arrangements	Reasonable	Standard agenda item at senior officer meetings		
C Inability to deliver council's plans and outcomes for communities	Engagement of partners and alignment of WNC plans as part of corporate plan setting in 2021 so aligned.	Reasonable	Service plan development to identify all key partners and areas of concern or vulnerability to partner plans and pressures. WNC presence at partnership boards and forums	Ongoing meetings with wider health partners to ensure evidence based approach to investment in Wellbeing Directorate Services	
D Legal challenge	Leader and CEO engaging at National and county level to mitigate impacts of potential service reductions for residents	Reasonable	Engagement with other public bodies. Service plan development to identify all key partners and areas of concern or vulnerability to partner plans and pressures.	Ongoing meetings with Chief Execs from Partnerships	
E Financial loss	Regular review and sharing of partnership activity/engagement at senior officer meetings Partnerships have record keeping/ performance monitoring / accountability arrangements	Reasonable	Regular discussions at DMT and internal Northants LGR meetings.		
F Inability to meet and manage the demands of homelessness in the Borough	Northampton Partnership Homes (NPH) Rigorous budget and performance monitoring in place Regular financial reporting to Management Board, Portfolio-Holder & Cabinet	Reasonable	Plans to introduce client manager for better visibility and controls Follow up on Audit January 21 report on NPH and recommendations to improve oversight. An external, independent review of the working relationships and partnership between WNC and NPH has been commissioned. The review has been co-produced with NPH and the recommendations will be available by 31 March 2022.		
G					

E08 - Emergency Planning – Critical Incident not managed effectively

Inherent risk level		Lead Member - Portfolio Holder for HR and Corporate Services (Councillor Mike Hallam)		Residual risk level		
Likelihood	4	Risk Owner - Executive Director Corporate (Sarah Reed)		Likelihood	3	
Impact	4	Risk Manager - Head of Emergency Planning and Community Resilience (Matt Hoy)		Impact	4	
Inherent risk score	16			Residual risk score	12	
		Put the date DD/MM/YY when reviewed in box below ↓		Direction of travel	↔	
		11/01/22		Identify updated text with red font. Say what columns were updated in box>>>	No change	Ongoing COVID impacts
Potential impact if risk not mitigated		Controls	Control assessment	Mitigating actions (to address control issues)	Comments	
A	Loss of Life	Business Continuity plans for in house and external providers	Reasonable	All Business Continuity plans under review by priority order and to be refreshed post Unitary formation to ensure all new arrangements and contacts are updated All BCP plans and contacts will be available on Resilience Direct for use when required	For the new council, refreshed business continuity plans will be developed for each service. Extra resource has been identified and there will be joint working with the North to share good practice. Interviews will be taking place early September for additional roles to support Business Continuity. Also formalised Business Continuity Board will commence in September	The incident with ICT and power outage in August tested our emergency planning and business continuity arrangements and the Council will be using the Lessons Learned to help develop its future approach
B	Inability to deliver critical services to customers/residents	Business continuity strategy, Critical Incident plan and BC service plans in place and up to date	Reasonable	BC exercise and training delayed by Covid however all services have demonstrated that they have been able to respond to COVID pandemic tests. List of prioritised services for updated BC plans post Unitary Go Live Emergency Duty Rota in place to ensure that response and actions restore services as soon as possible	All services have reviewed and updated their BC plans in light of the coronavirus situation and with widespread homeworking now in place we have demonstrated that the plans work. Weekly TCG meetings are held with key staff to monitor the national and local coronavirus picture as well as reference being made to official Government advice. The health and safety covid group is now in place to review the return of key services	Covid has demonstrated that all services take BC seriously and have been able to operate to near-normal levels since this start of the crisis in March 2020. TCG continues to meet weekly to review service delivery and deal with revised Government guidance and local events to ensure that our services still operate effectively.
B	Reputational damage		Good	LRF logins issued to all senior staff silver and gold rotas in place for day 1	Initial training has been done for all Directors/Ads and where there is the potential for reputational risk. In terms of ELT, there is always communications presence and weekly updates to help facilitate this. The West/North council joint meetings also help ensure there are no surprises. The Cabinet/ELT whatapp group was a useful addition to support communications and especially helpful when we encountered the fire at the sub station.	
C	Inability of council to respond effectively to an emergency	Key contact lists updated monthly. Business Continuity plans for in house and external providers	Good	There is a specific, fully trained WNC employed member of staff covering emergency planning as part of their job role. Training in place for all GOLD, Silver and Bronze leads and rota in place to cover any incidents BCP plans to be refreshed following Unitarisation based on prioritised list in BCP policy to ensure up to date and reflect services now brought to getehr	Active plans are in place to ensure the authority is prepared for a variety of emergencies. Continual improvements are being made as a result of a review of these plans and in partnership with the Local Resilience Forum. Regular meetings are taking place of the Northants Local Resilience Forum (LRF) (Tactical Command Group (TCG) & Strategic Command Group (SCG command structure) and at WNC internally to ensure that we respond proactively to the Covid-19 as it changes. Work has been done to formally disaggregate the shared service with the North to commence on 01 April 2022 and formal arrangements in place to integrate the service under the Assistant Director of Customer Services.	A high level multi-agency response to covid has been in place since March 2020 in response to the pandemic. Now moving to period of restoration as Lockdown released through April and May and then recovery & react planning - need to closely monitor case rates
C	Financial loss	Services prioritised and recovery plans reflect the criticality of services and finances.	Reasonable	Review of all priority service areas plans following Council Unitarisation to ensure joined up and effective plans taking into account changed locations, staff and IT	WNC BCP lead to undertake review of services and help develop plans in 21-22	covid income and costs risks partially mitigated by dedicated funding and subject to protocol and process to decide where used - tracked centrally vs budget
D	Unnecessary hardship to residents and/or communities	Dedicated Emergency Planning Officer in post to review, test and exercise plan and to establish, monitor and ensure all elements are covered. Dedicated reception centres in place in case of evacuation.	Good	Active participation in LRF response to Covid-19 situation Continuation of COVID 19 governance and central oversight post Unitary to ensure outbreak and impacts monitored and changes in national guidance managed. Economic and community COVID recovery plans being developed	Emergency rotas in place for the year and a report on future of LRF and approach to emergency planning is in train. This will include the need for planned sessions to test the arrangements and ensure the right level of attendance at the county level. Work has commenced to develop a more robust approach to managing emergencies rather than the reliance on a few specialist emergency officers which will form part of the new operating model for EP and BC. This includes the development of Gold and Silver capacity and consideration for a new Bronze	
G		Business Continuity Plans tested	Reasonable	London Bridge Protocol updated February 2021 multi agency responses in critical incident plans and protocols maintained within the Local Resilience Forum	Learning from recent events will be undertaken to ensure we are prepared for the event of London Bridge.	Subject to nationally imposed restrictions and lifting in line with national plan - have to monitor and manage the impacts at each stage and target actions if any case number surges

Potential impact if risk not mitigated		Controls	Control assessment	Mitigating actions (to address control issues)	Comments	
E	Risk to human welfare and the environment	Added resilience from cover between shared Public Health Team, Environmental Health team, shared Environmental Services & Housing Team officers with appropriate skill (Bronze Incident Liaison Officers)	Reasonable	Training in place for all GOLD, Silver and Bronze leads and rota in place to cover any incidents - emergency planning exercises to be undertaken as WNC	See above	
F	Legal challenge	Senior management attend Civil Emergency training	Good	Training in place for all GOLD, Silver and Bronze leads and rota in place to cover any incidents -	See above	
G	Potential financial loss through compensation claims	Multi agency emergency exercises conducted to ensure readiness	Good	Senior managers have attended duty manager training .	To be planned in year	
H1	Ineffective Cat 1 partnership relationships	Deliver and participate in multi-agency training and exercise programmes to enable a more combined, coordinated and robust response to incidents. All officers that are involved in emergency responses are trained for their roles	Good	The Inter Agency Group has met regularly to review readiness for large events	To be planned in year	
H2		Full participation in Local Resilience Forum (LRF) activities	Good	WNC is represented at the Local Resilience Forum	In place	
H3		Maintain and provide a single point of contact for NCC On a 24 hours a day, 365 days of the year - For major incidents that could occur on a local/ regional/ national level. IT on call arrangements confirmed.	Good		In place	
H4	Data Loss or Breach	IM training - mandatory and completion reported to IM Board monthly GDPR training - mandatory and completion reported to IM Board monthly Enforcement through DPO and IGO roles	Reasonable			
H5		IAs created for shared services between North and West and DPIAs where data shared - new protocols for data management in place where joint access	Reasonable	Need to monitor and manage compliance while new arrangements	In place but will be reviewed and amended as we consider future delivery of services	
D		ICT disaster recovery arrangements in place	Reasonable	ICT review and assessment required following Unitarisation. Review and development required of a roadmap for ICT and identification of any key risks to services from inadequate DR	New ICT architecture team being put in place by CIO Governance board to be established to oversee risks and plans	There will be some recommendations arising from the Lessons Learned with regard to the recent fire and the importance of cloud based systems

E09 - Health and Safety – Failure to comply with health and safety legislation, corporate H&S policies and corporate H&S landlord responsibilities.

Inherent risk level		Lead Member - Portfolio Holder for HR and Corporate Services (Councillor Mike Hallam)		Residual risk level	
Likelihood	5	Risk Owner - Executive Director Corporate (Sarah Reed)		Likelihood	3
Impact	4	Risk Manager - Assistant Director HR (Alison Golding)		Impact	3
Inherent risk score	20			Residual risk score	9
		Put the date DD/MM/YY when reviewed in box below ↓		Direction of travel	↔
		11/01/22		Identify updated text with red font. Say what columns were updated in box>>	No change

Ongoing COVID impacts

Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)	Comments	
A Fatality, serious injury & ill health to employees or members of the public	New WNC health & safety corporate forums/arrangements and guidance being updated. Robust risk assessment process, that is suitable and sufficient. Risk Assessments identify risks and suitable control measures.	Reasonable	WNC Corporate Health, Safety and Wellbeing Policy developed following Unitarisation and has been ratified and signed. New forums with Unions to be set up. Managers to assess own department risk assessments to ensure they are suitable, sufficient, up to date and identify all risks. Covid risk assessments to be maintained in WNC as continuation of NCC policy	ELT scheduled to receive Quarterly H&S updates from Senior H&S Officer. H&S Champion Executive Director identified - Stuart Lackenby Updated Corporate Arrangements to be drafted that reflect the WNC structure. These are now in place and first overarching board took place in August 2021. Corporate Action Plan to be developed and agreed picking up predecessor Councils.	COVID has drawn H&S leads into incident response - need to ensure that ongoing workplace risk assessments remain and agreed with the Unions as part of any planned repatriation of staff
B Criminal prosecution for failings	Robust Health & Safety policies and Corporate H&S arrangements in place as part of an Integrated H&S Management System	Reasonable	All Assistant Directors to complete a H&S Checklist to provide a status on the management of H&S in their service areas following ratification of the new checklist format. Actions to be formalised into service plans & monitored at DMT Meetings and H&S forums with Unions need to ensure all relevant staff receive H&S Training	Need to ensure H&S cover for all west sites and responsibilities is sufficient and undertake gap analysis	
C Financial loss due to compensation claims	Corporate H&S Team in place to provide health and safety advice and guidance to all directorates	Good	All Assistant Directors to complete a H&S Checklist to provide a status on the management of H&S in their service areas following ratification of the new checklist format. Actions to be formalised into service plans & monitored at DMT Meetings and H&S forums with Unions need to ensure all relevant staff receive H&S Training		Some predecessor councils have found Recruiting difficult during COVID.
D Enforcement action – cost of regulator (HSE) time	Clearly identified accountability and responsibilities for Health and Safety established at all levels throughout the organisation	Good	The new Health, Safety & Wellbeing policy clearly identifies accountability, responsibility and roles.	need to ensure all relevant staff received H&S Training from predecessor Councils	

Potential impact if risk not mitigated		Controls	Control assessment	Mitigating actions (to address control issues)	Comments	
E	Increased sickness absence	Directorate Health & Safety Improvement Plans where required with embedded reporting and recording arrangements in place	Reasonable	Corporate arrangements being updated for reporting and acting on any improvement areas HR to monitor sickness absence to understand the reason for trends. This to be shared to implement a plan to improve.	need to ensure all relevant staff received H&S Training from predecessor Councils	Mental health and anxiety are linked to people dealing with the covid -situation . We are actively encouraging employees to access the Well being services and to also access our Mental Health First aiders.
F1	Reduction in capacity impacts service delivery	Effective training regime in place for all staff	Reasonable	All staff to complete H&S training on induction. All other staff will complete H&S eLearning organised by L&D.	need to ensure all relevant staff received H&S Training from predecessor Councils	Some training was cancelled due to COVID. Some was moved to eLearning which may not be the best learning style for some staff. Increased cost have been occurred due to the way training has had to be delivered at short notice or reduced numbers.
F2		Positive Health & Safety risk aware culture	Reasonable	H&S staff to meet with departments to understand culture and do gap analysis.	Health and Safety business partners in place and working with all Directors/Ads to assess plans and understand gaps and ensure robust systems in place to manage health and safety issues and risks	
F3		Corporate WNC Health & Safety Forum in place for co ordination and consultation	Good	Health, Safety & Wellbeing forum to meet quarterly. Currently SMT. Then will be staff representatives. Monthly meetings set up with H&S Champion.		
F4		Corporate body & Member overview of Health & Safety performance via appropriate committee	Reasonable	Improve communication of H&S across all levels. New KPIs to be agreed and formal reporting through H&S forum.	Health, Safety & Wellbeing forum set up- to consult with stakeholders.	
F5		Assurance that third party organisations subscribe to and follow Council Health & Safety guidelines and are performance managed where required	Reasonable	Full audit of process and management of third parties. To include Tendering, management & performance management.		

E10 - Information Security - If there is insufficient security or recovery plans for data held and IT systems used by the councils and resulting in a risk of a data breach, a loss of service, malicious attacks or inability to deliver services due to loss of systems and data			
Inherent risk level	Lead Member - Portfolio Holder for HR and Corporate Services (Councillor Mike Hallam)	Residual risk level	
Likelihood	4 Risk Owner - Executive Director Corporate (Sarah Reed)	Likelihood	3
Impact	5 Risk Manager - Chief Information Officer (Chris Wales)	Impact	5
Inherent risk score	20	Residual risk score	15
Risk file date DD/MM/YYYY when reviewed in box below ↓		Direction of travel	
27/01/22		Downwards updated with red font. See what columns were updated in below	
Potential impact if risk not mitigated		Mitigating actions (to address control issues)	
Controls		Comments	
A1	Loss of critical systems and Service failure Disaster Recovery Plan in place	Reasonable	New Architecture and Security leads recruited Refined DTI strategy being drafted to review architecture and performance points of potential failure. Plans and principles for future decisions to be reviewed as part of architectural work
A2	File and Data encryption on computer devices	Good	We have cyber-essentials plus certification and comply with best practice. Incoming Head of Cyber will review processes to ensure they remain robust.
A3	Key business critical systems moved to the Cloud to reduce risk of loss and increase resilience	Reasonable	Develop Social Care system moved to the Cloud. Other applications to be reviewed for reliability and risk
B	Data loss/ inability to switch to alternative data centre results in significant delays in re-provisioning services Regular DR tests and Back up of data Development of DR capability within WNC infrastructure of offsite external hosting	Reasonable	Replication and back ups of key data for critical systems. WNC DR assessment to be undertaken and plan developed setting out risk areas and prioritisation of any changes to infrastructure or DR plans
C	Financial loss / fine due to financial data loss or fraud Managing access permissions and privileged users through AD and individual applications	Good	Audit programme of checks periodically
D	Prosecution – penalties imposed Consistent approach to information and data management and security across the councils	Good	Reconciliation checks Data breach processes and protocols in place
E	Individuals could be placed at risk of harm Effective information management and security training and awareness programme for staff. GDPR training on line	Good	Staff training via teams to be rolled out for WNC staff in 2021 Work being done to look at capability across organisation with regard to Office 365, Teams etc and relevant training and support provided
F	Reduced capability to deliver customer facing services Password security controls in place	Good	Implemented the intrusion prevention and detection system. Multi-factor authentication rolled out in 2020 for all users, to add additional security to Council system and data access. Members also obligated
G	Unlawful disclosure of sensitive information Robust information and data related incident management procedures in place	Good	DR board in place to oversee key issues
H	Inability to share services or work with partners Appropriate robust contractual arrangements in place with all third parties that supply systems or data processing services	Good	As above, cyber security training is being rolled out as well GDPR update training for all staff
I	Insecure IT systems which are easy to hack and penetrate / risk to wnc data / fines from ICO/ Reputational damage Anti Virus checks up to date and all patches applied in timely way	Good	
J	Appropriate plans in place to ensure ongoing PSN compliance GDPR	Good	Cyber Security issues regularly highlighted to all staff in Staff Specialist training for IT staff
K	Adequate preventative measures in place to mitigate insider threat, including physical and system security	Good	
L	Data breaches result from the shared use of systems by Wnc and North staff in services where standalone systems not in place DPAs in place for all services where systems and data shared between west and north authorities and agreed with ICO.	Reasonable	Clear protocols, checks and audit trails in place for systems where shared teams and access

Loss of critical systems and Service failure

2. Data loss/ inability to switch to alternative data centre results in significant delays in re-provisioning services
3. Misused risk leading to significant harm to customers or staff
4. Unstable IT systems which are easy to hack and penetrate / risk to NCC data / fines from ICO
5. Unstable back up solutions

Controls	Adequacy	Critical Success
01. Disaster Recovery Plan Creation and test of a DR Plan	Reasonable	In place and tested
02. Transformation Strategy incorporating IT and digital strategy/ roadmap development	Good	Aligning development work to Council priorities
03. County-wide CIO network	Good	NCC attendance and representation of NCC views and priorities
04. PSN compliance/ policies and procedures relating to firewalls, emails, password protection and monitoring of the	Good	ability to identify threats quickly and take mitigating actions
05. IT project management and prioritization effective oversight of project development, implementation and resource allocation	Good	Visibility of priorities and IT work programme across the organization
Ability to mobilise the workforce to work in more agile ways Use of innovative IT solutions to enable the workforce to adapt	Good	% of workforce operating remotely and collaboratively

E11 - Local Government Reorganisation - additional costs, compliance issues or disputes arise as a result of incomplete processes on transfer of sovereign Council services to the WNC or lack of progress on wider transformation					
Inherent risk level	Lead Member - Portfolio Holder for Strategy (Councillor Jonathan Nunn)		Residual risk level		
Likelihood	5 Risk Owner - Chief Executive (Anna Earnshaw)		Likelihood 3		
Impact	3 Risk Manager - Transformation Director (Jane Carr)		Impact 3		
Inherent risk score	15		Residual risk score 9		
	Put the date DD/MM/YY when reviewed in box below ↓ 12/01/22		Direction of travel ↔		
			Identify updated text with red font. Say what columns were updated in box>>>		
			Mitigating actions and comments updated		
			Ongoing COVID impacts		
Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)	Comments	
A	Inability to deliver Council priorities and plans due to disruption while services are aggregated and redesigned, impacting on quality of services delivered to residents and communities.	Day 1 change minimised to avoid disruption	Reasonable	Day 2 plans to be completed owned by service to manage impacts of final changes Regular Service and performance monitoring	Lists collated of all day 2 outstanding actions to be tracked centrally ELT with Ads is providing leadership in terms of developing corporate plan and ensuring services remain to be operated (albeit within sovereign council ways at the moment)
B		Transformation plan sets out priority transformation areas and tasks agreed with task and finish group	Good	Transformation team recruited and own plans for next steps in order to complete aggregation and benefits of single tier services	Work has commenced on developing the council's design principles and our future way of working - home working, agile, assets and also the commencement of a new target operating model.
C	Inability to deliver savings in budget due to delays in transforming services, restructures and redesign of delivery	Transformation plans tracked through central PMO and corporate monitoring of delivery	Reasonable	Corporate process for all projects using standard business cases, central progress tracker with milestones, benefits realisations and risks so robustly managed	Process starts post 1st April with delivery plan and prioritised projects for change Feedback from all Ads now done and assessment being undertaken to align to Target Operating Model (TOM).
D	Confusion on accountability between services and North and West Councils for meeting legal duties	IAAs set out who leads or hosts on which services and scope of services held	Good	Agree and complete all IAAs Complete work to disaggregate hosted services into two councils during the timescales set in the IAA	Clear prioritised plan in place for completion of aggregation work All completed prior to vesting day but work now commences on reviewing performance and assessing new ways of working, aligned to TOM
E	Confusion on budget responsibility and allocations between services and North and West Councils leads to shortfalls in budgets or stranded costs	IAAs to be completed and populated with Budget allocation and signed off	Reasonable	Will require senior management engagement for any disputes on allocations Joint Committee in place to manage process and disputes	Services will own development and completion
F	Confusion on service levels for services shared between North and West Councils leads to disputes and expectation issues	IAAs to be completed and populated with service levels agreements and signed off	Reasonable	Will require senior management engagement for any disputes on SLA offered Joint Committee in place to manage process and disputes	Services will own development and completion
G1	Potential Impact of aggregation of sovereign Council services on quality and consistency of services delivered to residents and communities.	process set out and prioritised following agreement with members with customer facing services first services to be transformed	Fully		The work on the TOM has started with equal consideration for enabling services that underpin customer facing services.
G2		permanent transformation team will lead work so resources to complete aggregation and bring benefits		Change Champions recruited amongst front line staff.	In place
G3		Service monitoring and review to ensure no detriment to services quality from changes made			aligned to performance reviews within directorates and oversight by the transformation team

E12 - Corporate Governance - Failure of corporate governance leads to a negative impact on ability to deliver corporate objectives, impacts upon financial sustainability of the Council and potentially exposes Council to legal challenge/action. ☹

Inherent risk level		Lead Member - Portfolio Holder for HR and Corporate Services (Councillor Mike Hallam)		Residual risk level	
Likelihood	4	Risk Owner - Chief Executive (Anna Earnshaw)		Likelihood	3
Impact	4	Risk Manager - Director of Legal & Democratic (Catherine Whitehead)		Impact	2
Inherent risk score	3.6			Residual risk score	6

Put the date DD/MM/YY when reviewed in box below ↓
12/01/22

Direction of travel
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Identify updated text with red font. Say what columns were updated in box>>>>

No changes

Ongoing COVID impacts

Potential impact if risk not mitigated	Controls	Control assessment	Mitigating actions (to address control issues)	Comments	
A1 Threat to service delivery and performance if good management practices and controls are not adhered to.	Clear and robust control framework including: constitution, scheme of delegation, ethical walls policy etc.	Reasonable	Constitution in place and agreed setting out approvals authority and thresholds Need to ensure all Exec directors assign delegations to Assistant Directors for areas of responsibility and ensure correct legal authorisations for enforcements	Constituion approved and published, work being done across directorates to ensure the correct delegations and amend as the structures and TOM commences	Constitution has also been reviewed to ensure the Council is able to continue to make decisions during the Coronavirus Period.
A2	Clear accountability and resource for corporate governance	Good	Membership of bodies and committees for Councillors to be set at first WNC annual meeting May 2021	MO has overall accountability for policy / legislative change.	Covid 19 Protocol and processes in place for any COVID related spend vs COVID grants - central management
A3	Integrated budget, performance and risk reporting framework.	Reasonable	Standing item at ELT – New budgets assigned but may require changes once used in practice and reviewed - ensure regular review of risk and control measures ongoing so any required actions can be undertaken promptly	Reporting arrangements have been reviewed. Officers will review monthly, and the relevant committees will review quarterly. This also includes setting up additional boards internally for officer (e.g ict) ad also consideration for shared services with others.	Covid 19 Protocol and processes in place for any COVID related spend vs COVID grants - central management
A4	Corporate programme office and project management framework. Includes project and programme governance.	Good	Implementation of corporate programme office	Additional resource in place to support ongoing transformation Programme office in place within transformation team	No direct Covid-19 impact
A5	HR policy framework.	Reasonable	Full review of HR policy to be undertaken during 20120/21	All of the major HR policies, including a new redundancy policy have been approved Policies shared through the intranet and communicated through staff briefings	No direct Covid-19 impact
A6	Training and development resource targeted to address priority issues; examples include GDPR, safeguarding etc.	Reasonable	Allocate specific resource to support new projects/policies or statutory requirements e.g. GDPR	Safeguarding teams and processes in place . GDPR training completed.	Covid-19 has had an impact on the resource available to deal with GDPR. Government guidelines on relaxing timelines has been helpful in managing this. In addition some IA recommendations for GDPR have been recalibrated.
A7	Annual governance statements	Reasonable	Review AGS process and content	AGS process and content has been agreed	No direct Covid-19 impact
B Impropropriety or improper business activities leading to fraudulent activity or malpractice	<ul style="list-style-type: none"> Avoidable financial loss Criminal prosecution Civil litigation Fines Lack of confidence from staff or public Reputational damage Member criticism 	Reasonable	<ul style="list-style-type: none"> Counter-fraud strategy in place NBC Fraud policy in place Section 151 controls policy and procedure Whistleblowing Policy approved by Council Performance management tracking fraud policy 	<ul style="list-style-type: none"> Monthly financial reviews Quarterly corporate performance and risk reviews Audit checks and reconciliation 	
C Legal challenge leading to financial consequences, reputational and /or delay to delivery of key priorities	<ul style="list-style-type: none"> Criminal prosecution Civil litigation Fines Reputational damage Engagement with Members 	Good	<ul style="list-style-type: none"> Oversight by ELT through regular reporting by officers. Legal challenges handled by the legal team in a timely manner. MO sign off of every Cabinet and Council report, legal advice to Committees and Senior Officer exercising delegated powers. Legal advice to services on vires, procurement, consultation, equalities, conflicts of interests and other key issues relating to sound decision making. 		

Potential impact if risk not mitigated		Controls	Control assessment	Mitigating actions (to address control issues)	Comments
D	Financial sustainability - ineffective budget management due to lack of clear governance.	<ul style="list-style-type: none"> • Avoidable financial loss • Communication of Constitutional governance • Implementation of processes, procedures and robust system of financial internal controls • Effective internal audit reviews • Integrated budget, performance and risk reporting framework 	Reasonable	Constitution in place and agreed setting out approvals authority and thresholds. In-house internal audit team currently being set up. Budget process on-going - budgets reviewed regularly at ELT.	



WEST NORTHAMPTONSHIRE COUNCIL

AUDIT & GOVERNANCE COMMITTEE

26 January 2022

Report Title	Work Programme
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1. Purpose

- 1.1. The purpose of this report is to provide an updated work programme for consideration by the Committee

2. Recommendations

- 2.1. It is recommended that the Committee considers the work programme.

3. Issues and Choices

Information

- 3.1 Attached at Appendix A is an updated work programme for the Committee.
- 3.2 The work programme will evolve over time and the Committee is requested to consider the attached programme and highlight any other areas where they may wish to receive further reports.

4. Implications (including financial implications)

4.1. Policy

- 4.1.1. There are no significant policy implications associated with this report.

4.2. Resources and Risk

- 4.2.1. There are no financial and risk implications associated directly with this report.

4.3. Legal

4.3.1. There are no specific legal risks associated with this report.

4.4. Equality and Health

4.4.1. There are no specific equality and health issues associated with this report.

**Report Author: Martin Henry
Executive Director – Finance
S151 Officer**

Work Programme

	26-Jan-22	02-Mar-22
Minutes from the previous meeting	x	x
Internal Audit Plan 2022-23		x
Internal Audit Progresss report	x	x
Northampton Borough Council - Annual Audit Letter 2019-20	x	
Northamptonshire County Council - Annual Audit Letter 2019-20	x	
Northamptonshire County Council - Annual Governance Statement 2020-21	x	
External Audit Progress report (Grant Thornton)	x	x
Risk Register deep dive - Economic Recovery	x	
Risk Register deep dive - Financial Sustainability	x	
Corporate Risk Register	x	x
Work programme	x	x

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