



West
Northamptonshire
Council

Audit and Governance Committee Annual Report

2022 - 2023

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Annex A – Audit and Governance Committee Terms of Reference

West Northamptonshire Council

1. Foreword from the Chair of Audit and Governance Committee

The Council, once a year, must receive the Audit and Governance Annual Report. It is a summary of the work carried out by the Audit and Governance Committee in monitoring and where possible improving the governance arrangements across West Northamptonshire Council.

It shows how the Audit and Governance Committee has continued to make a positive contribution to the Council's governance and control environments. These cover all aspects, such as internal control; risk management; internal audit; anti-fraud; external audit; and financial reporting.

I would like to take this opportunity to give thanks to Committee Members and Officers for their contribution in supporting the Audit and Governance Committee's work during the year in my role as Chair. The Audit and Governance Committee Members have challenged all officers with their respective cabinet members who came to present their reports. After each presentation, when appropriate, the Committee made suggestions and was pleased to see those implemented. This open and rigorous process gives the assurance to our citizens that our Council is effective and transparent.

Our committee looks also to future years. We can already acknowledge that 2023-2024 will be another testing time for all Councils. Therefore, how we risk manage our priorities, resources and partnerships will be vital, notwithstanding the risk of fraud. The Audit and Governance Committee is holding a unique position due to its impartiality to be able to challenge and scrutinise these activities. So with the support of Officers and my fellow Councillors, long may we continue to serve you all.

Councillor Cecile Irving - Swift

2. Introduction

This is the annual report produced by West Northamptonshire Council's Audit and Governance Committee. It is produced in accordance with best practice and shows that the Council is committed to working as an exemplary organisation, operating the highest standards of governance.

This report demonstrates how the Audit and Governance Committee has successfully fulfilled its terms of reference and has endeavoured to improve the Council's governance and control environments.

The purpose of the Audit and Governance Committee is to:

- Provide independent assurance as to the Council's governance, risk management framework and associated control environment;

- Provide independent scrutiny of the Council's financial and non-financial performance and oversee the Council's financial reporting process;
- Act as an advisory committee to the Council and the Cabinet on audit and governance issues.

The Terms of Reference for the Audit and Governance Committee can be found at **Annex A** of this report.

This report sets out the work undertaken by the Audit and Governance Committee for 2022 - 2023 and has overseen good progress in all areas under its supervision.

3. Meetings and Membership

During 2022-2023, the Audit and Governance Committee met on the following dates:

- 28th April 2022
- 22nd June 2022
- 28th September 2022
- 16th November 2022
- 25th January 2023
- 1st March 2023

There is a cross representation of all parties in accordance with the make-up of the Council. The members for 2022-2023 were (excluding substitutes):

Table 1: Audit and Governance Committee Membership 2022-2023 as at 31 March 2023:

| Councillor | Member status | Party |
|---------------------|---------------------------|-------------------|
| Cecile Irving-Swift | chair | Conservative |
| Charles Manners | Vice Chair from 19/05/22 | Conservative |
| Jamal Alwahabi | Member | Labour |
| John Shephard | Vice chair until 19/05/22 | Conservative |
| Rosie Humphreys | Member | Liberal Democrats |
| Stephen Clarke | Member | Conservative |
| Jake Roberts | Member | Conservative |
| Danielle Stone | Member | Labour |
| Alan Chantler | Member from 29/09/21 | Conservative |

Senior officers from the Council are also present, including the Executive Director - Finance (S151), Assistant Director (Accountancy), Chief Internal Auditor and other officers dependent on the subject matter on the agendas in addition to external representation from the Council's External Auditors.

4. Key Activities during 2022-2023

Background

The Audit Committee's terms of reference covers three main areas:

- Audit
- Corporate Governance
- Financial Reporting

Audit

Terms of Reference:

4.7.2 Audit:

- (a) *To consider the annual report of the internal audit service and to consider a summary of actual and proposed internal audit activity and the levels of assurance over the Council's corporate governance arrangements;*
- (b) *To consider summaries of specific internal audit reports as requested;*
- (c) *To consider and approve the Council's arrangements for the internal audit service;*
- (d) *To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale;*
- (e) *To consider any high priority recommendations contained in internal audit reports or 'limited assurance' audit reports;*
- (f) *To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance;*
- (g) *To consider specific reports as agreed with the external auditor;*
- (h) *To comment on the scope and depth of external audit work and ensure that it gives the Council good value for money;*
- (i) *Through the Executive Director of Finance liaise with the Audit Commission over the appointment of the council's external auditor;*
- (j) *Through the Executive Director of Finance commission specific pieces of work from internal and external audit if there is a perceived need expressed by Committee members and sufficient funding available for such work.*

Summary of audit agenda items at Audit and Governance Committee

28th April 2022

- *Internal Audit 2021-2022 Update Report* The Committee's consideration of this update was needed to ensure the Council complies with the Public Sector Internal Audit Standards and the Accounts and Audit Regulations.
- *Draft Internal Audit Plan 2022-2023* The draft internal audit plan for 2022-23 was endorsed in order for internal audit resource to begin to be allocated for 2022-23.

22nd June 2022

- *Internal Audit Annual Report 2021-2022* A summary of the 2020/21 Annual Internal Audit Report giving opinion on the adequacy of the systems of control for WNC.

- *Internal Audit Update Report* A verbal update was provided to the committee and noted that they would receive a full written report at the next meeting. Members were advised that all fraud officers were counter fraud specialists and that the fraud prevention training would be provided again.

28th September 2022

- *Internal Audit Progress Report* 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 and a summary of resource issues / assurance.

16th November 2022

- *Internal Audit Home to School Transport Limited Assurance Report* The Assistant Director Highways and Transport delivered a presentation on the Home to School Transport Audit Report to address the progress made on the recommendations.
- *Internal Audit Update Report* 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 and a summary of resource issues / assurance.

25th January 2023

- *Internal Audit Update Report* Report to provide the detailed update on progress to complete the 2022/23 approved Audit Plan.

1st March 2023

- *Internal Audit Progress Report* Report to provide the detailed update on progress to complete the 2022-2023 approved Audit Plan.

Corporate Governance

Terms of Reference:

4.7.3 Corporate Governance:

(a) Maintain an overview of all aspects of the Council's Constitution, including Finance Reservations in the Scheme of Delegation, contract procedure rules and financial regulations. Any proposed changes to the Constitution shall be referred to the Democracy & Standards Committee;

(b) Review any issue referred to it within these Terms of Reference by the Chief Executive, Section 151 Officer or any body of the Council;

(c) Monitor the effective development and operation of risk management and corporate governance within the Council;

(d) Approve and monitor the Council's 'whistle-blowing', anti-fraud and anti-corruption policies;

(e) Review and make recommendations on the Council's Annual Governance Statement;

- (f) Consider the Council's corporate governance arrangements and make recommendations to ensure compliance best practice;*
- (g) Monitor the Council's compliance with its own and other published standards and controls; 52 West Northamptonshire Council Constitution – Approved on 18 May 2023*
- (h) Consider reports dealing with risk management across the organisation and those reports which identify key risks the Council faces, seeking assurance of appropriate management action;*
- (i) The Chair of the Audit and Governance Committee shall act as the Member Risk Champion;*
- (j) To have oversight the Council's Performance Management Framework so far as it relates to the Corporate Governance Functions of the committee;*
- (k) Such other matters as required by law or guidance to be the proper remit of the Audit and Governance Committee;*
- (l) To receive annually statistical reports and details of complaints received and investigated through the Council's Corporate Complaints Procedure which have resulted in payments or other benefits being provided by the Council in cases of maladministration;*
- (m) Receive on behalf of the Council reports issued by the Local Government Ombudsman into investigations that the Council's actions have amounted to maladministration causing injustice.*

Summary of governance agenda items at Audit and Governance Committee

28th April 2022

- *Risk Register Deep Dive – Financial Resilience* The Audit and Governance Committee had the opportunity to consider and comment on the Financial Resilience report. The Committee concurred with the view of the S151 Officer that this risk is being effectively managed.
- *Strategic Risk Register* The Committee considered the Strategic Risk Register.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

22nd June 2022

- *Risk Register Deep Dive – Workforce Skills and Capacity* The Audit and Governance Committee had the opportunity to consider and comment on the report detailing the Workforce Skills and Capacity to address the risks in the Strategic Risk Register.
- *Audit and Governance Committee Annual Report 2021-2022* A summary of items reviewed throughout the year by the Committee. Members were advised that the terms of reference for each area had been set out as per the Constitution.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

28th September 2022

- *Risk Register Update Report* The Head of Audit and Risk presented the risk register and explained that the risk register would be designed for future meetings to

highlight the important areas and bring emerging risks to the Audit and Governance Committee, and this would be trialled for the way forward. The Audit and Governance committee noted the position of the risk register.

- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

16th November 2022

- *Strategic Risk Register* The Head of Audit and Risk Management presented the report and explained that the risk register update contained two areas, the current risk register and an update on the process. Since the last meeting there was a static position as the risk hadn't changed. The Committee considered the Strategic Risk Register and discussed the effectiveness of the current risk management process.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

25th January 2023

- *Regulation of Investigatory Powers Act (2000) RIPA* The Deputy Director of Law and Governance presented the report on the Regulation of Investigatory Powers Act 2000 (RIPA). It was agreed that a brief update be provided to each meeting of the Committee advising whether any action had been taken under the RIPA regulations.
- *Annual Governance Statement 2021-2022* The Head of Audit and Risk presented the Annual Governance Statement 2021-22 which formed part of the statutory accounts process. The Committee approved the Annual Governance Statement.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

1st March 2023

- *Risk Progress Update* The Head of Audit and Risk updated the committee and advised that there had been minimal changes since the last meeting. The intention was to split operational risks from strategic risks. The intended approach had been discussed with the Executive Leadership Team. The Committee considered and endorsed the approach to review and improve the current risk management process.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

Financial Reporting

Terms of Reference:

4.7.4 Financial Reporting:

(a) View the Council's annual statement of accounts and specifically consider whether appropriate accounting policies have been followed, and whether there are any concerns arising from the financial statements, or the audit which should be brought to the attention of the Council;

(b) Consider reports of the external auditor to those in charge of governance on issues arising from the audit of the accounts.

Summary of finance agenda items at Audit and Governance Committee

28th April 2022

- *Northamptonshire County Council (NCC) External Audit results report 2020 – 2021*
The Committee noted and considered the external Audit Results report and recommendations.
- *Approval of Northamptonshire County Council Statement of Accounts 2020-2021*
The Committee noted and considered the external Audit Results report and recommendations.
- *Northampton Borough Council External Audit Results report 2020-2021*
The Committee noted and considered the external Provisional Audit Results report and recommendations.
- *Approval of Northampton Borough Council Statement of Accounts 2020-2021*
The Committee noted and considered the external Provisional Audit Results report and recommendations.
- *External Audit (Grant Thornton) Progress Report*
The Committee's consideration of this update was 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.

22nd June 2022

- *Housing Benefit and Council Tax Reduction Risk Based Verification*
The Committee were asked to consider the report and Risk Based Verification policy for Housing Benefit and Council Tax Reduction new claims and to recommend the policy to Cabinet for approval.
- *External Audit Update (Grant Thornton)*
The Executive Director of Finance read a short statement on behalf of Grant Thornton updating on the progress of their work.

28th September 2022

- *External Audit Update (Ernst & Young)*
A verbal External Audit Update was given which highlighted the salient points.
- *Grant Thornton Audit Plan for Northamptonshire Pension Fund 2021-2022*
Grant Thornton introduced the audit plan report for the Northamptonshire Pension Fund 2021-2022. Members were asked to note the presentation and the audit plan for 2021-2022.
- *Update on the Medium Term Financial Strategy, annual budget and capital programme*
The Executive Director of Finance presented the report and explained

that the report provided an update on the medium-term financial strategy, annual budget, and capital programme. The Audit and Governance Committee considered and noted the contents of the report.

16th November 2022

- *External Audit Progress Report Grant Thornton* The committee noted the verbal update from Grant Thornton.
- *External Audit Progress Report Ernst & Young* The Audit and Governance Committee noted the verbal External Audit progress update.
- *Update on Budget Setting* The Executive Director of Finance provided a brief update on budget setting and explained that the budget setting process had been started, a star chamber process had taken place looking at the saving efficiencies of the various service areas.

25th January 2023

- *Pension Fund Annual Report and Statement of Accounts 2020-2021* The Executive Director of Finance presented the Final Annual Report and Statement of Accounts of the Pension Fund for the 2021-22 financial year, which had already been considered by external audit and the Pensions Committee. The Committee approved the Statement of Accounts and noted the Annual Report of the Pension Fund for 2021-2022 financial year.
- *External Audit Update Grant Thornton* The Committee noted the verbal update.
- *External Audit Update Ernst & Young* The Committee noted the verbal update.
- *Budget Setting Update* The Executive Director Finance advised that numerous briefings had been held for councillors regarding the budget. Consultation on the budget would close on 31st January 2023. The Committee noted the verbal update on budget setting.

1st March 2023

- *External Audit Update Grant Thornton* The Committee noted the verbal update.
- *External Audit Update Ernst & Young* The Committee noted the verbal update.
- *Budget Setting Update* The Assistant Director Finance advised that the budget had now been approved. The Committee noted the verbal update on budget setting.

5. Training and Development Activity to support the Committee

Throughout the year, the provision of ongoing training to Members has been the cornerstone of developing new and existing Members. During the year, training and briefing sessions were given for:

- Strategic Planning Committee Training: Minerals and Waste
- Data Protection and GDPR
- Taxi & Private Hire Best Practice Guidance Button Training Webinar
- Code of Conduct Training NB: This training session was not for all Councillors
- Code of Conduct, Northampton Planning Members Training

- Code of Conduct, Daventry Planning Members Training
- Code of Conduct, South Northamptonshire Planning Members Training
- Code of Conduct, Strategic Planning Members Training

Briefings:

- Integrated Care System Briefing
- Planning Issues Briefing
- Code of Conduct, Daventry Planning Members Briefing
- Highways Contract Briefing
- Code of Conduct, Northampton Planning Members Briefing
- Planning Matters Member Briefing
- Planning Matters Member Briefing
- South Northants Employment Sites SPD Briefing
- Code of Conduct, South Northamptonshire Planning Members Briefing
- Code of Conduct, Strategic Planning Members Briefing
- Net Zero v Carbon Neutral Briefing
- Councillor Engagement Session – Customer Service Point Strategy
- Net Zero v Carbon Neutral Briefing
- Councillor Engagement Session – Planning enforcement – Session 1 (drop in session)
- Councillor Engagement Session – Planning enforcement Session 2 (drop in session)
- Treasury Management Briefing
- WNC Local Plan Briefing
- Cyber Security Briefing
- Planning Briefing
- Community Safety Briefing
- Housing and Planning Briefing Session
- Democracy and Standards Panel Members Training

In addition, members have access to a committee handbook which provides additional support / information.

6. Future Developments and Plans for 2023 / 2024

Overall, the Audit and Governance Committee want to continue to develop and build on our current achievements. For 2023 / 2024 this will involve:

- Continuing to drive up standards of corporate governance;
- Continuing to equip existing and any new Members to fulfil the Audit Committee's responsibilities by providing or facilitating training on all aspects of the Audit Committee's remit;
- Assisting and supporting officers to promote the work of the Audit Committee and the roles of internal audit, external audit and risk management;
- Supporting the continued production of high quality and compliant statutory accounts;
- Increase training for members of the Audit Committee, ensuring members are best placed to scrutinise effectively the work of the Council and it's audit functions;

- Helping to further increase awareness within the Council of its governance arrangements, with particular emphasis on information and tackling fraud and corruption
- Providing effective challenge to officers, raising awareness for sound internal control arrangements and giving assurance to the Authority that its control arrangements are sound; and
- Continue to develop the arrangements for Risk Management at the Council

EXTRACT FROM THE WNC CONSTITUTION

4.7 Audit and Governance Committee

Members 9: Quorum 3. Appointments will be made having regard to the rules on political proportionality.

Purpose:

4.7.1 The purpose of the Audit and Governance Committee is to:

- (a) Provide independent assurance as to the Council's governance, risk management framework and associated control environment;
- (b) Provide independent scrutiny of the Council's financial and non-financial performance and oversee the Council's financial reporting process;
- (c) Act as an advisory committee to the Council and the Cabinet on audit and governance issues.

Terms of Reference:

4.7.2 Audit:

- (a) To consider the annual report of the internal audit service and to consider a summary of actual and proposed internal audit activity and the levels of assurance over the Council's corporate governance arrangements;
- (b) To consider summaries of specific internal audit reports as requested;
- (c) To consider and approve the Council's arrangements for the internal audit service;
- (d) To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale;
- (e) To consider any high priority recommendations contained in internal audit reports or 'limited assurance' audit reports;
- (f) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance;
- (g) To consider specific reports as agreed with the external auditor;
- (h) To comment on the scope and depth of external audit work and ensure that it gives the Council good value for money;
- (i) Through the Executive Director of Finance liaise with the Audit Commission over the appointment of the council's external auditor;
- (j) Through the Executive Director of Finance commission specific pieces of work from internal and external audit if there is a perceived need expressed by Committee members and sufficient funding available for such work.

4.7.3 Corporate Governance:

- (a) Maintain an overview of all aspects of the Council's Constitution, including Finance Reservations in the Scheme of Delegation, contract procedure rules and financial

regulations. Any proposed changes to the Constitution shall be referred to the Democracy & Standards Committee;

- (b) Review any issue referred to it within these Terms of Reference by the Chief Executive, Section 151 Officer or any body of the Council;
- (c) Monitor the effective development and operation of risk management and corporate governance within the Council;
- (d) Approve and monitor the Council's 'whistle-blowing', anti-fraud and anti-corruption policies;
- (e) Review and make recommendations on the Council's Annual Governance Statement;
- (f) Consider the Council's corporate governance arrangements and make recommendations to ensure compliance best practice;
- (g) Monitor the Council's compliance with its own and other published standards and controls;
- (h) Consider reports dealing with risk management across the organisation and those reports which identify key risks the Council faces, seeking assurance of appropriate management action;
- (i) The Chair of the Audit and Governance Committee shall act as the Member Risk Champion;
- (j) To have oversight the Council's Performance Management Framework so far as it relates to the Corporate Governance Functions of the committee;
- (k) Such other matters as required by law or guidance to be the proper remit of the Audit and Governance Committee;
- (l) To receive annually statistical reports and details of complaints received and investigated through the Council's Corporate Complaints Procedure which have resulted in payments or other benefits being provided by the Council in cases of maladministration;
- (m) Receive on behalf of the Council reports issued by the Local Government Ombudsman into investigations that the Council's actions have amounted to maladministration causing injustice.

4.7.4 Financial Reporting:

- (a) View the Council's annual statement of accounts and specifically consider whether appropriate accounting policies have been followed, and whether there are any concerns arising from the financial statements, or the audit which should be brought to the attention of the Council;
- (b) Consider reports of the external auditor to those in charge of governance on issues arising from the audit of the accounts.