

Audit and Governance Committee

Minutes of a meeting of the Audit and Governance Committee held at the Jeffrey Room, the Guildhall, Northampton, NN1 1DE on Wednesday 26 July 2023 at 6.00 pm.

Present:

Councillor Cecile Irving-Swift (Chair)
Councillor Jamal Alwahabi
Councillor Stephen Clarke
Councillor Keith Holland-Delamere
Councillor Mark Hughes
Councillor Rosie Humphreys
Councillor Sam Rumens

Apologies for Absence:

Councillor Charles Manners
Councillor Alan Chantler

Officers:

Martin Henry, Executive Director - Finance (Section 151 Officer)
Audra Statham, Assistant Director - Finance (Accountancy)
Jen Morris, Head of Audit and Risk Management
Sarah Hall, Deputy Monitoring Officer
Scott Peasland, Audit Manager
Fiona Coates, Pensions Service Financial Manager
Maisie McInnes, Democratic Services Officer

Paul Harvey, Grant Thornton (GT) – Remote
William Howard, Grant Thornton (GT) – Remote
Mark Rutter, Ernst Young (EY) – Remote

140. **Declarations of Interest**

There were no declarations of interest.

141. **Minutes**

The minutes of the previous meeting held on 14 June 2023 were agreed and signed by the Chair as a true record of the meeting.

142. **Chair's Announcements**

The Chair welcomed everyone to the meeting and explained the meeting process to the members of public in attendance. The Chair thanked the Leader of the Council for attending to present the Annual Governance Statement 2022-23.

The Executive Director of Finance explained the private reports had been moved into the public session for consideration with redacted information.

The Chair shared that the Head of Audit and Risk Management was leaving the Council and it would be her last Audit and Governance meeting. The Chair and Executive Director of Finance both sincerely thanked the Head of Audit and Risk Management for her hard work moving Internal Audit in the right direction and strengthening controls in the audit work.

The Executive Director of Finance added that it was a disappointing loss for the authority and shared that the job advertisement had been out to recruit for the role and interviews were taking place in the next week for two potential candidates. Following the interview stage, the successful candidate would be communicated at the next meeting.

143. Pensions Accounts and Annual Report

The Executive Director of Finance introduced the draft report and explained that once the accounts had been finalised the Audit and Governance committee would receive the final report for comments and approval for sign off. The draft report had also been to Pensions Fund Committee for consideration at their meeting on 24 July 2023.

The Pension Services Financial Manager added that the auditors had received the report and were currently going through the audit process. She concluded her report and invited members to ask any questions.

Members asked how the Northamptonshire pension fund compared to that of other authorities. The Pension Services Financial Manager demonstrated the investment policy and performance data which reflected the fund's performance against the local authority average. Members also noted a typographical error in the Chairperson's Foreword regarding the abbreviation for billion.

Members asked for assurance on the investment with Bluebay and asked for an explanation regarding the cash movement with custodian. The Pension Services Financial Manager explained that the movement was due to cash being held in a Northern Trust account which had been invested which explained the reduced cash flow. The Executive Director of Finance responded to the concern with Bluebay and assured members that the Investment sub-committee had governance of the fund's investment partners.

RESOLVED: That the Audit and Governance Committee noted the Draft Annual Report and Draft Statement of Accounts of the Pension Fund for the 2022-23 financial year.

144. Grant Thornton Audit Plan for Northamptonshire Pension Fund 2022-23

At the Chair's invitation, William Howard Grant Thornton, delivered a presentation to the committee and highlighted the key points contained in the Audit Plan:

- The Audit had been started in July and an estimated completion would take place in September. Good progress was being made with the audit process.
- Materiality had been determined based on a proportion of the estimated gross assets of £48.1m as at 31 March 2023 which was calculated during the planning stages of the audit.
- There had been a change in the materiality approach to an increased focus on non-investment related transactions.
- The introduction of the ISA 315 (International Standard on Auditing) changes had led to enhanced requirements and understanding of the pension fund's governance and IT environment.

Members discussed the report, and the Chair thanked the Pensions team and Grant Thornton for their hard work. The Chair reported she was pleased to see the audit fees were noted in the report.

RESOLVED: That the Audit and Governance committee noted the External Audit Plan 2022-23 for the Northamptonshire Pension Fund and the presentation by Grant Thornton.

145. **Internal Audit Annual Report 2022-23**

The Head of Audit and Risk Management introduced the report and highlighted the salient points:

- Overall, a satisfactory assurance had been awarded in respect of the areas reviewed during the year and this reflected the weaknesses in the Council's control environment. With the reorganisation of the Council, this was not unusual with the background of staff adjusting to new ways of working and harmonisation.
- The team were making good progress with the audits, and there were a couple of audits due to be completed in the next few weeks. If there were delays with the audits, these would be moved to next year's audit plan.
- Section 2.3 highlighted the key themes of the audit and areas which needed strengthening which were around policies and procedures, roles and responsibilities, and alignment of services. There was a lack of clarity with who was responsible for what work, particularly with frontline staff and a need for management actions agreed to be followed up and completed.
- The Internal Audit Monitoring table detailed a breakdown of actions and highlights from the main themes of the audit work.
- The Audit Action Tracker was monitored by the Governance and Risk Manager who held monthly meetings with managers. The Head of Audit and Risk Management gave assurance that she had no concern with the action tracker.
- In terms of fraud, there was active work in the team looking at housing, council tax and business rates to name a few areas of where this work was targeted. There was information sharing with Cambridgeshire relating to fraudulent activity with Adult Social Care and the use of blue badges, and the importance of whistleblowing.

Members asked a question surrounding the use of applying Artificial Intelligence (AI) to audit work. The Head of Audit and Risk Management responded that the team were looking at ways they could apply AI effectively through using data analytics to analyse group data in core financial systems to look at exception testing and full population data testing and provided a potential example relating to staff pay. She expressed the danger of an overreliance on AI and how this could be strengthened with data samples and assessing the points of risk, the need to look at what had changed and quantum data.

Members asked for assurance regarding the 64 outstanding manager actions. The Head of Audit and Risk Management shared that this related to the way audit reported actions and the Governance and Risk Manager was closely monitoring this area.

The Chair thanked the Head of Audit and Risk Management for her hard work and presenting the report.

RESOLVED: That the committee accepted the Assurance Opinion.

146. **Internal Audit Progress Report**

The Head of Audit and Risk Management delivered the update on work delivered by the Internal Audit team up to 30 June 2023. She explained the Audit and Governance committee had moved away from an annual update to a quarterly update and she was pleased to report the 2023-24 Internal Audit Plan was approved at the committee meeting on 14 June 2023 and audits had already started. An audit relating to Corporate Health and Safety had been added as follow up to the limited assurance rating.

RESOLVED: That the Committee noted the review and endorsed the audit position.

147. **Annual Governance Statement 2022-23**

The Leader of the Council delivered a presentation on the draft Annual Governance Statement 2022-23. The Leader explained that the report was seeking Audit and Governance committee endorsement as responsible for the Council's governance, risk management and financial performance. He shared that he worked closely with the Chair of the Audit and Governance committee stressed the importance of governance and risk management.

In his presentation, the Leader highlighted the following key aspects of governance:

- The Leader explained the Council's Local code of Corporate Governance and the seven principles that underpin this as contained in the report. He shared the council were making continual improvements and there were robust controls in place, with decision-making oversight of Cabinet members and the Senior leadership team.
- He explained the governance policies in place outlining the relationship between officers and members in the respective code of conducts, as well as

the constitution, the Cabinet forward plan, the publication of decisions, and policies surrounding the decision-making process and scheme of delegation.

- There were opportunities for employees to raise concerns in monthly 1-1 meetings, surveys and as part of whistleblowing which could be raised with management or anonymously through an independent body.
- He stressed the significance of member induction where he personally spent time with each new member of staff with colleagues from the senior leadership team, and the visibility of senior leadership colleagues with regular coffee and chat sessions.
- There was an extensive training programme available to officers and members, and a commitment to ongoing training.

The Leader thanked the committee and took the opportunity to thank the Head of Audit and Risk Management for all of her work and wished her the best for the future.

Members discussed the importance of governance, and the Head of Audit and Risk Management commended the collaborative process of the Annual Governance Statement. The Deputy Monitoring Officer echoed the joint approach and extensive level of detail in demonstrating governance and culture change of the council.

Members asked for information on the number of whistleblowing cases. The Head of Audit and Risk Management agreed to liaise with HR and provide the number of cases outside of the committee meeting.

The Executive Director of Finance referred to the substantial debt recovery work that been undertaken as a result of inheriting debt and officers had been recruited to work on a project retrieving debt and information on the project work would be brought to committee at a future meeting.

Members asked a question relating to the alignment of IT systems and the Head of Audit and Risk Management shared that the DTI board could be approached for a response on this and explained that compared to other unitary authorities the council was making good progress. The Executive Director of Finance added that there was a desktop refresh strategy and there was IT equipment that had been prioritised for replacement. In terms of systems, with the amount that had been inherited and the scale of the systems required there was a project running in this area and the income management system which handled council revenues and benefits had been prioritised. The Assistant Director of Finance highlighted that the revenue and benefits system could not be harmonised until the council tax harmonisation had taken place and processes were being followed to prevent disruption to services.

The Leader thanked everyone for their comments and expressed that the council was still on an improvement journey with the Unitarisation of the council bringing the four former authorities together with their different experiences and cultures.

RESOLVED: That the Committee endorsed the draft Annual Governance Statement.

148. **External Audit Progress Report (Grant Thornton)**

Paul Harvey, Grant Thornton (GT), presented the External Audit Progress report and gave assurance to the committee that they were making good progress and there were a number of concluded audits. The external auditors were awaiting some draft accounts and were planning to bring the audit plan to the next meeting in September 2023.

The Assistant Director of Finance shared that the first Statement of Accounts for WNC had been completed. The team had an excellent working relationship with GT and the legacy audits with EY were close to being concluded.

The Chair thanked GT for the update and suggested a member session with the Executive Director of Finance and the Assistant Director of Finance to go through the financial detail in the reports.

RESOLVED: That the Committee accepted the External Audit Progress Report from Grant Thornton.

149. **Annual Results Report (NBC) 2020-21 (Ernst Young)**

Mark Rutter, Ernst Young (EY), presented the audit report for NBC 2020-21 and explained the challenging nature of completing the audit due to the loss of corporate knowledge and transition to WNC.

In terms of fraud and error, there were a large number of errors but there was no evidence of fraud, and the errors were a result of record keeping. He explained the need for more understanding relating to the asset transfers that took place as part of the reorganisation of the council. He shared the areas of focus for financial controls and concluded his report.

Members asked whether the controls could be considered and if still relevant applied to WNC. The Executive Director of Finance shared that the contextual information related to the predecessor authority and those controls still relevant would be applied. He thanked EY for completing the monumental audit work and extended his thanks to the Assistant Director of Finance and the team.

RESOLVED: That the Committee considered the external Provisional Audit Results report and recommendations.

150. **External Audit Progress Report (Ernst Young)**

Mark Rutter, Ernst Young (EY), delivered a verbal update on the progress of the external audit and explained that progress had been made with the NCC audit and thanked the finance team for their hard work. He added that the external auditors were still awaiting information, and it was anticipated that this would be received soon so the accounts could be completed.

The Assistant Director of Finance emphasised both teams were working hard to sign off the NCC accounts and there were delays with receiving information from the

Children's Trust. The Assistant Director of Finance reminded members of the delegated decision to the Chair of the Audit and Governance committee and the Executive Director of Finance to approve the sign off of the accounts.

RESOLVED: That the Committee accepted the External Audit Progress Report from EY.

151. **Update on Governance**

The Deputy Monitoring Officer gave an update on governance and explained there were no RIPA (Regulation of Investigatory Powers 2000) requests and the governance working group was continuing its work to embed and extend understanding of good governance across the authority.

The Chair requested for governance training to be provided to the committee. The Deputy Monitoring Officer agreed to rerun the governance training previously delivered by the Monitoring Officer.

RESOLVED: That the committee:

- 1) **Is satisfied with the update on Governance**
- 2) **Agreed to training provided by the Deputy Monitoring Officer on the importance of governance**

152. **Update on Budget Setting and Revenue and Capital Medium Term Capital Programme**

The Executive Director of Finance presented the update on budget setting and capital medium term capital programme and explained that there were processes in place to ensure there was understanding of the pressures the council faced for 2024-25.

He shared that the opening position for 2024-25 in the medium term financial plan set out in the final budget papers for 2023-24 was an estimated deficit of £10m. However, he was already aware of significant pressures in this financial year relating to the Children's Trust which would add to this opening position. The Executive Director of Finance concluded that an update on the medium financial term plan would be provided at the next meeting and that budget star chambers meetings had already been set up and circulated in diaries.

The Chair thanked the Executive Director of Finance for the update.

RESOLVED: That the committee noted the update on budget setting and revenue and capital medium term capital programme.

153. **Review of Committee Work Programme**

The Executive Director presented the agenda item and invited members to consider their work programme.

The Head of Audit and Risk Management added Risk Management Update needed to be added to the work programme.

RESOLVED: That members accepted the work programme with the recommended additions and agreed to the addition of the Risk Management Update.

154. **Urgent Business**

There were no items of urgent business.

The meeting closed at 7.55 pm

Chair: _____

Date: _____