



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 Tuesday 21 November 2023 at 6.00 pm.

Present:

Councillor Cecile Irving-Swift (Chair)
Councillor Charles Manners (Vice-Chair)
Councillor Jamal Alwahabi
Councillor Alan Chantler
Councillor Keith Holland-Delamere
Councillor Rosie Humphreys
Councillor Sam Rumens

Substitute Members:

Councillor Nigel Hinch

Also Present:

Councillor Mike Hallam, Cabinet Member for Corporate and HR

Apologies for Absence:

Councillor Stephen Clarke
Councillor Mark Hughes

Officers:

Sarah Hall, Deputy Monitoring Officer
Martin Henry, Executive Director - Finance (Section 151 Officer)
Audra Statham, the Interim Head of Audit and Risk Management
Adrian Ward, Head of Audit and Risk Management
Scott Peasland, Audit Manager
Fiona Coates, Pensions Service Financial Manager
Alison Golding, Assistant Director HR
Clare Young, Head of Organisational Development, Design and Change
Maisie McInnes, Democratic Services Officer

Janet Dawson, Ernst Young (EY) – Remote
William Howard, Grant Thornton (GT) – Remote
Mark Stocks, Grant Thornton (GT) – Remote
Grant Patterson, Grant Thornton (GT) – Remote

155. Declarations of Interest

Councillor Nigel Hinch declared an interest as a member of Northamptonshire Partnership Homes (NPH).

156. **Minutes**

RESOLVED: That the minutes of the previous meeting held on 26 July 2023 were agreed and signed by the Chair as an accurate record of the meeting.

157. **Chair's Announcements**

The Chair welcomed everyone to the meeting and introduced the Head of Audit and Risk Management, Adrian Ward and Mark Stocks, Head of Public Sector Assurance at Grant Thornton.

The Chair thanked Audra Statham, Assistant Director Finance (Accountancy) for her hard work and taking over the mantle for the last few months prior to the Head of Audit and Risk Management joining West Northamptonshire Council.

158. **Urgent Business**

There were no items of urgent business.

159. **Update on Workforce Skills and Capacity**

The Assistant Director HR delivered a presentation to the committee on Workforce Skills and Capacity Risk E04. The Assistant Director HR gave

Members heard and observed the presentation and asked questions:

- Members queried the increase in headcount across WNC and the Cabinet Member for HR and Corporate Services explained that many positions had been brought in-house, for example in the legal team which had contributed to the headcount number.
- Members questioned the reasoning for the length of vacant posts in the Chief Executive office. The Assistant Director HR responded that this was due to new positions being created as there had been a restructure and as this was a small area the statistics appeared higher in the presentation.
- Members expressed concern at the amount of staff receiving a salary of less than £25,000 in a cost of living crisis. The Cabinet Member for HR and Corporate explained that pay negotiations were underway for next year and the Council paid a fair wage and was committed to this, and staff had received a 30% payrise since vesting day. Members highlighted the new national living wage of £12ph and importance of supporting staff.
- Members raised questions surrounding the number of voluntary leavers by recruitment status and asked for retirement figures to be included in these statistics. The Assistant Director HR explained that exit interviews were conducted to ascertain areas for improvement and there was a commitment to improving culture and regular polls to obtain staff feedback. There were plans in place to capture more information from managers and succession planning to forward plan for those near to retirement.
- Members asked for a follow up on the capacity issues in the planning department as it had been 18 months since the last update, and the Assistant Director explained there was a recruitment campaign to fill the vacancies as

detailed in the presentation. The Cabinet Member for HR and Corporate added that colleagues from the Corporate Directorate were also assisting with the workload by offering customer service support for the planning department in the interim.

- Members asked a question surrounding the volume of applications received and how these were handled. The Assistant Director explained the new ATS system aided the application process, and this made it easier for people to apply which increased the volume of applications. There was a manager self-service process for shortlisting applications.
- Members discussed the level of sickness in the council and asked if there was more that could be done to support staff and gave an example for those experiencing back and neck related injuries or pain. The Assistant Director HR offered to add the health and safety statistics for these sicknesses and whether they were internal or external related illnesses. The Council promoted wellbeing and there were a number of initiatives to promote a creation of wellbeing, such as the creation of mental health first aiders within the council.
- Members suggested that more contextual information be provided alongside the data at future meetings so that members can understand the story and rationale behind the figures.

Members discussed the current employment market and highlighted the risk areas which provided challenge to the council in recruiting and retaining staff. The Assistant Director HR emphasised the power of social media and sites such as LinkedIn for helping promote visibility of job vacancies to encourage people to apply. She explained that with the wide breadth of skill sets and specialisms needed to work across the council, there was a risk in the ability to recruit to pressure roles and the council was working on their branding as well as their training and development offer and other benefits for people working in the council. The Cabinet Member for HR and Corporate explained the market trends, with there being an expectation for people to move to new roles rather than stay with one company for the entirety of their working lifetime. There was a competitive job market in terms of pay and benefits and the accessibility of sites such as LinkedIn and Glassdoor providing reviews of workplaces. He was proud to share the council had a positive rating on Glassdoor and the team were committed to making West Northamptonshire Council a place to thrive.

160. **Northamptonshire Pension Fund Final Audit Results Report 2020-21**

At the Chair's invitation, Janet Dawson EY presented the Final report of the Northamptonshire Local Government Pension Scheme for 2020/21 report and highlighted the following salient points:

- The external auditor was ready to provide an unqualified opinion on the concluded audit subject to a letter from the organisation and other disclosures.
- In terms of the audit planning materiality there had been adjustments to custodian and EY asset values and asset values had been reclassified from level 2 to level 3 investments.
- There was a risk of verifying information produced by the entity (IPE) and reports using pension systems for completeness of the audit process, but the

teams were able to overcome this by using the Teams facility to use screen sharing to evidence this.

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

161. **Pension Fund Annual Report and Statement of Accounts 2022-23**

The Executive Finance Director gave context to the committee that at the last Audit and Governance committee, members received a draft version of the report and the final report had been brought back to the committee following approval from the Pensions Fund Committee. There were no significant changes to the report for members to consider.

The Pension Services Financial Manager shared that the Pensions team had also delivered Accounts training to Audit and Governance committee in October which would enhance their understanding of the report. She confirmed that the two recommendations received from the external auditors had been actioned and handed over to Grant Thornton to present the report.

Grant Patterson, GT introduced himself as he had succeeded Ciaran McLaughlin in overseeing the Pension fund audits. William Howard, GT then presented the report and highlighted the following points:

- The audit was complete subject to testing, finalisation of IT work and a review of financial statements.
- There was one adjustment misstatement of £7.6m that had been made in relation to the level 3 investments, but this was not a material matter.
- The audit fees were highlighted on page 255 of the agenda pack, and the cost of letters were to be confirmed.

The Executive Director Finance summarised that there were no major issues with the audit, and the external auditors were finalising their audit with an unqualified opinion. Both teams had worked efficiently in closing the audits quickly and accurately and overall, a positive audit report.

The Chair thanked Grant Thornton members discussed the report.

RESOLVED: That the Audit and Governance Committee:

- a) **Approved the Statement of Accounts and notes the Annual Report of the Pension Fund for the 2022-23 financial year.**
- b) **Considered the findings of external audit documented in the ISA260.**

162. **Internal Audit Progress Report**

The Interim Head of Audit and Risk Management shared that the new Head of Audit and Risk Management Adrian Ward had joined WNC and would be taking the mantle and presenting the report going forward. She had thoroughly enjoyed putting together the comprehensive view of the report and working in the interim and expressed how internal audit were a great team to work with. She highlighted the key points from the report:

- In terms of vacancies, the positions had been filled and there was a new member of the team joining in December. There was also a member of the team who had returned from long term sickness. She was pleased to report the team was back to full capacity.
- There were two audit plan changes with the payroll and pension fund administration audits being passed over to the partner authority audit team to conduct.
- The internal audit team were making positive progress with the limited assurance reports and some actions were still outstanding.
- There was lots of activity ongoing in the counter fraud team such as checking of blue badges, and other in-house projects.

Members discussed the report and expressed concern at the audit actions. The Interim Head of Audit and Risk Management shared that the team were responsible for picking up the actions and helping with implementation of these. There was an updated system for actions and these were actively monitored by the team.

Adrian Ward, the new Head of Audit and Risk Management addressed the committee and shared his wealth of experience working in local government and internal audit specialism. He shared he was looking forward to starting at West Northamptonshire Council. The Chair requested a skills analysis for the committee and tailor made training for members to keep up to date with knowledge and understanding of audit requirements.

The Chair thanked the Interim Head of Audit and Risk Management for her comprehensive report.

RESOLVED: That the Audit and Governance committee reviewed and endorsed the Internal Audit Progress report.

163. Update on Financial Statements

The Interim Head of Audit and Risk presented the update on financial statements and explained that the National Audit Office (NAO) and the Department for Levelling Up, Housing and Communities (DLUHC) were planning to introduce a backstop to resolve the backlog of unaudited accounts and create a fresh start for local government. Since vesting day, WNC had managed to close ten of the outstanding legacy audits, which was a substantial amount of work for the team and a huge achievement. As it was not possible to start the WNC statements until these had been concluded, the statements for 2021/22 and 2022/23 had been delayed. The government were proposing that audits not completed by 31 March 2024 would be given a disclaimed audit opinion. The report was seeking approval from the Audit and Governance Committee to pause the 2021-2022 audit in line with the government statutory guidance. This would stand the council in good stead for producing the 2022/23 and 2023/24 accounts.

Members expressed concerns regarding the risk of public perception and conveying the news of the 2021/2022 audits being paused and potentially disclaimed. Members urged officers to consider how they would deliver communications. The Executive Director Finance emphasised that this was a unique position and collectively with his experience and the Interim Head of Risk and Audit, this had never been a similar position. They advised members to be realistic and pragmatic in their approach and a statement would be prepared for communications for the press and public.

Members asked for the opinion of the external auditor.

Mark Stocks, Grant Thornton responded that it was a difficult position, but WNC were not alone as this was a national issue affecting a number of councils. It was the best approach for WNC to pause to allow time for the government's announcement and at this moment it was not definitive. The government would need to issue a consultation, make changes to the legislation and audit code of practice. The council would continue to work closely with the external auditor in light of this news.

Members asked if a letter could be produced from the external auditor detailing this advice to members. The Executive Director Finance shared that a letter had been addressed to officers with this advice and they could circulate this to members outside of the meeting. He added that this course of action would also deliver a cost-saving to the council on audit fees.

Members requested a revision to the recommendation to reflect the audit would be paused in light of the statutory guidance, and not ceased. The Executive Director Finance reconfirmed that the recommendation was asking the external audit to step down and if the situation changed the audit would recommence.

RESOLVED: That the Audit and Governance committee agreed to pause the 2021/22 audit in advance of the government announcement, in order to be able to prepare the 2022/23 and 2023/24 statement of accounts.

164. **Northamptonshire County Council 2020-21 - Final Audit Results Report**

Janet Dawson, EY presented the Northamptonshire County Council 2020-21 final audit results report and highlighted the following salient points:

- The audit work was complete subject to a subsequent events review, agreement of the final set of financial statements, receipt of signed management representation letter and final manager and engagement partner reviews.
- One of the audit approaches focused on reviewing the Council's progress to address the weaknesses in Children's Services as part of the value for money audits following the Ofsted report in 2021.
- Another key area was Covid-19 grants and there were significant control weaknesses relating to grant recipients confirming the use of the grants and to repay any owing monies.

- In terms of the evaluation of One Angel Square, the accounts reflect the revised evaluation. Correcting the evaluation methodology increased the value by £4.3 million.

Members discussed the report and the Executive Director Finance shared that the Children's Trust had contributed to the improvement journey of Children's Services and the Council was continuing to support them and had a better grip on finance. In terms of risk management, the strategic risk register was in place and there was better reporting processes to the Audit and Governance Committee.

RESOLVED: That the Audit and Governance Committee considered and accepted the External Auditors Final Audit Report and recommendations.

165. **External Audit Progress Report (Ernst & Young)**

Janet Dawson EY gave a verbal update to the committee and expressed that she was looking forward to signing off and handing over to Grant Thornton. She passed on her immense thanks on behalf of EY to the Interim Head of Audit and Risk Management and the team for their hard work completing the predecessor audit accounts.

RESOLVED: That members received a verbal update on the audit progress from EY.

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

GT presented the report and explained that a progress report would be brought to the next committee with a focus area on understanding finances. There was ongoing work with the value for money audits for 2022/23 and focussed work in the areas of sustainability and governance.

Members discussed the verbal update.

RESOLVED: That the Audit and Governance Committee accepted the External Audit progress update from Grant Thornton and were looking forward to the progress update at the next committee meeting.

167. **Update on Governance**

The Deputy Director Law and Governance delivered the update on governance and explained that the new Head of Audit and Risk Management had been working with the Deputy Director and Monitoring Officer on how to make further improvements to strengthen governance in WNC. There was an emphasis of risk reporting through ELT which had monthly meetings with statutory officer oversight, as well as any issues being flagged to the Monitoring Officer. They would be bringing a report to the committee for assurance on ongoing governance work across the council.

The Deputy Director Law and Governance highlighted the following points in relation to governance:

- There were no RIPA (Regulation of Investigatory Powers 2000) and further training was being organised to support understanding of this and more detail would be brought to a future meeting of the committee.
- In terms of data requests, they were preparing a report on a new system supporting the team processing the increasing number of data requests and freedom of information requests.
- There was more support being provided to officers to increase awareness of data protection across the council and a new structure for the team to provide support and data retention. There was a manager vacancy in the team currently being recruited to.
- There was a project ongoing to establish the companies that the council had working relationships with an those that had been inherited as part of the reorganisation. Once information had been pulled together, a report would be brought to ELT and the committee along with guidance from other authorities.
- The Democracy and Standards committee was responsible for conduct for members and the code of conduct for member complaints was being revised and would be going to a future full council meeting for approval.
- Finally in relation to training, this year training concentrated on overview and scrutiny and planning committee members. The training had been well received and there was more to be delivered in the programme for next year to emphasise the need for good governance.

The Chair thanked the Deputy Director Law and Governance for the update and encouraged members to come forward with any future training needs.

RESOLVED: That the committee received the update on governance and would receive further reports on improvements to strengthen governance and member training at a future meeting.

168. **Verbal Update on Budget Setting**

The Executive Director of Finance gave an update on the budget setting process and explained the financial plan and budget had been refreshed over the summer and budget star chamber meetings were underway. There was regular updates at ELT and discussions on how issues could be addressed. There was a budget gap due to pressures in the Children's Trust and Adult Social Care, costs for temporary accommodation and home to school transport. He recognised there were similar issues in local government nationally but was extremely pleased to report that they had worked hard to close the gap and a balanced budget was being delivered for 2024/25.

Corporate Overview and Scrutiny committee had received information relating to the budget earlier than in previous years, and a confidential briefing on the budget process had taken place for their understanding on the starting position for the budget process and the journey to a balanced budget. There was another confidential budget briefing with Corporate Overview and Scrutiny members planned for next week to demonstrate rationale and a draft budget would be formulated on 4 December. This would follow a 6 week budget process and the final budget proposals would be presented to Cabinet on 22 February 2024.

The Chair thanked the Executive Director Finance for the informative update on the budget setting process and looked forward to receiving the budget for 2024/25. She shared that the Chair and Executive Director Finance attended the Overview and Scrutiny Triangulation Group which focussed on forward planning to eliminate duplication and improve productivity by working with Cabinet members on upcoming work across the council.

RESOLVED: That the Audit and Governance committee received the update on the budget setting process and looked forward to receiving the balanced budget.

169. **Review of Committee Work Programme**

The Chair invited members to review the committee work programme and consider any items to be added. Members agreed there were no new items to be added to the work programme.

RESOLVED: That the Audit and Governance Committee reviewed the work programme.

The meeting closed at 8.30 pm

Chair: _____

Date: _____