



# **Audit and Governance Committee Annual Report**

**2021 - 2022**

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Annex A – Audit and Governance Committee Terms of Reference

## **West Northamptonshire Council**

### **1. Foreward from the Chair of Audit and Governance Committee**

The Council is requested to note the work carried out by the Audit and Governance Committee. It is therefore my pleasure to present the Audit and Governance Committee's Annual Report for the year 2021/2022.

It is important to emphasise how important this year 2021/2022 has been. It is our first year as an Unitary West Northamptonshire Council. As such, our Audit and Governance Committee has had a pivotal role to play to ensure the robustness of the foundations of WNC.

As the committee's chair, I would like to thank all the Committee Members for their engagement in all our debates and discussions about the Council's governance arrangements, showing an independent, non party political approach to what we did.

I would also like to take this opportunity to thank officers for their reports, which allowed members to challenge our risk and governance processes. As a result, our committee's suggestions should be beneficial for the common good.

This report illustrates how the Audit and Governance Committee has made a positive contribution to the Council's governance and control environment. Our committee, besides closing multiple sets of accounts from predecessor authorities, looked into internal control, risk management, internal audit, anti-fraud and corruption and external audit.

Our committee is looking forward to our second year with measured optimism. It would be unwise not to recognise that 2022/2023 will be a testing year. How we manage our risks, how we prioritise and how we work with our partners will be vital to deliver our vision. The Audit and Governance Committee is privileged to hold a unique position as its existence is to challenge and scrutinise the whole activities of the council. It would be remiss not to note that 2022/2023 will also mark the important strengthening of the Internal Audit department.

With my fellow councillors on the Committee, I am looking forward to a dynamic and progressive Audit 2022/2023

**Councillor Cecile Irving - Swift**

### **2. Introduction**

This is the first 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 2021-22 and has overseen good progress in all areas under its supervision.

### 3. Meetings and Membership

During 2021-22, the Audit and Governance Committee met on the following dates:

- 16 June 2021
- 28 July 2021
- 29 September 2021
- 10 November 2021
- 26 January 2022

There is a cross representation of all parties in accordance with the make-up of the Council. The members for 2021-22 were (excluding substitutes):

Table 1: Audit and Governance Committee Membership 2021 / 2022 as at 31 March 2022:

Councillor	Member status	Party
Cecile Irving-Swift	chair	Conservative
Charles Manners	Member from 10/11/21 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
Michael Brown	Member until 10/11/21	Conservative
Pinder Chauhan	Member until 28/07/21	Conservative

Senior officers from the Council are also present, including the Executive Director - Finance (S151), Assistant Director (Accounting), 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 2021-22**

##### **Background**

The Audit Committee's terms of reference covers 3 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.*

16<sup>th</sup> June 2021

- *Internal Audit Plan 2021 / 2022* The Audit and Governance Committee had the opportunity to consider and comment on the proposed Audit Plan for 2021 / 2022. The Committee were invited to highlight any areas of focus they wish the service to prioritise within the first six months of the new Council's operations.

## Audit and Governance Committee Annual Report - Appendix A

- *Internal Audit Update Report* The Chief Internal Auditor provided a periodic update on work delivered by the Internal Audit & Counter Fraud team, as at 31st May 2021.

28<sup>th</sup> July 2021

- *Internal Audit Update Report* The report sets out the work in progress to the Audit and Governance Committee to provide assurance to the Council. The report is structured to provide progress of planned audits, a summary of referrals (and outcomes) to the Counter Fraud team, a summary of any other work and a summary of resource issues / assurance.
- *Internal Audit Annual Reports for Predecessor Authorities* A summary of the 2020/21 Annual Internal Audit Reports giving opinion on the adequacy of the systems of control for:  
Northamptonshire County Council (NCC),  
South Northants District Council (SNC),  
Northampton Borough Council (NBC)  
Daventry District Council (DDC).  
It was recommended that the opinions be noted and that the key issues highlighted in each report be considered as part of the 2021/22 Internal Audit and External Audit programmes of work.
- Annual Audit Letters were presented for predecessor authorities SNC and DDC for 2019 / 2020 and the Annual Audit Letters for 2018 / 2019 were presented for NBC and NCC and the Northamptonshire Pension Fund.

29<sup>th</sup> September 2021

- *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.

10<sup>th</sup> November 2021

- *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.

26<sup>th</sup> January 2022

- *Internal Audit Update Report* Report to provide the detailed update on progress to complete the 2021/22 approved Audit Plan.
- *External Audit (EY)* Annual Audit Letters for NCC and NBC 2019 / 2020. The NCC Annual Audit Planning Report for 2020 / 2021 was also presented.

## 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;*
- (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.*

16<sup>th</sup> June 2021

- *Audit and Governance Committee Work Programme* Draft work programme for the Committee focussing primarily on the first two meetings. This document was further developed during the first year of the Audit and Governance Committee to detail the areas of work covered.

28<sup>th</sup> July 2021



## Audit and Governance Committee Annual Report - Appendix A

- *Risk Management Strategy* Presentation of the Risk Management Strategy approved by the Chief Executive and the Executive Director of Finance.
- *Strategic Risk Register* Presentation of the Strategic Risk Register which has been considered and approved by the Executive Leadership Team.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

29<sup>th</sup> September 2021

- *Risk Management Deep Dive – Corporate Risks Update, Critical Incidents and Information Security* The purpose of the report was to provide an update on work being undertaken to mitigate both of these strategic risks.
- *Strategic Risk Register* Presentation of the updated Strategic Risk Register for comment.
- *Approval of West Northamptonshires Code of Corporate Governance* Review of the Code of Corporate Governance for West Northamptonshire and approved the document for publication on the Council's website.
- *Legacy Annual Governance Statements* The Annual Governance Statements were approved for: NBC – years 2019 / 2020 and 2020 / 2021, DDC 2020 / 2021 and SNC 2020 / 2021.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

10<sup>th</sup> November 2021

- *Strategic Risk Register* Update of the Strategic Risk Register as at 30<sup>th</sup> September 2021. The report highlighted what the main strategic corporate risks had been and what the current risk scores were.
- *Audit and Governance Committee Work Programme* Updated work programme for the Committee.

26<sup>th</sup> January 2022

- *Risk Register Deep Dive – Corporate Services, Economic Recovery* The Assistant Director for Economic Growth and Regeneration presented the report. It was recommended that the Committee notes the actions that have been taken to mitigate the risk.
- *Strategic Risk Register* Update of the Strategic Risk Register as of 31<sup>st</sup> December 2021.
- *Annual Governance Statement* NCC Annual Governance Report for 2020 / 2021 was presented for approval.
- *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.*

16<sup>th</sup> June 2021

- *External Audit Update* For the financial year 2021-22 Grant Thornton have been selected as the external auditors for WNC. However, the external auditors for all of the predecessor councils was Ernst and Young (EY) and where previous years accounts are discussed, EY presented the update report.  
EY presented the outline plan for the predecessor areas of Daventry District Council and South Northamptonshire Council and a letter from the EY Partner setting out the scheduling for 20-21 audits.
- *Closure of Accounts* The Executive Director of Finance reported on the closure of accounts. In addition to preparing the accounts for West Northamptonshire for the financial year 2021-22 onwards it also has responsibility for closing the outstanding prior year accounts down for: - Northamptonshire County Council - Northampton Borough Council - Daventry District Council - South Northamptonshire Council.

28<sup>th</sup> July 2021

- *External Audit Update* Verbal updates were given by Grant Thornton and EY. External Audit Planning reports were presented for 2019 / 2020 for NCC and NBC; 2020 / 2021 for SNC, DDC and the Northamptonshire Pension Fund.

29<sup>th</sup> September 2021

- *External Audit (Grant Thornton)* Grant Thornton provided and update on the progress of the audit for 2021 / 2022.
- *External Audit (EY)* External Audit Results Report for NBC 2019 / 2020, approval of NBC Statement of Accounts 2019 / 2020.  
External Audit Results Report for NCC 2019 / 2020 and approval of NCC Statement of Accounts 2019 / 2020.

## Audit and Governance Committee Annual Report - Appendix A

External Audit Results Report for DDC 2020 / 2021 and approval of DDC Statement of Accounts 2020 / 2021.

External Audit Results Report for SNC 2020 / 2021 and approval of SNC Statement of Accounts 2020 / 2021.

Pension Fund Annual Report and Statement of Accounts for 2020 / 2021.

10<sup>th</sup> November 2021

- *External Audit Update (EY)* Verbal updates for NCC 2019-20, NBC 2019-20, NCC 2020-21. Written report presented for NBC 2020-21.
- *External Audit Update (Grant Thornton)* Verbal update on progress of current audit work.
- *Future Appointment of External Auditor* The Committee supported Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

26<sup>th</sup> January 2022

- *External Audit (Grant Thornton)* Report to update on the progress of current audit work.

### **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:

- General induction for new and existing Councillors
- Governance/Ethics/Code of Conduct and Member/Officer Relationships/the Role of a Councillor
- Data Protection and GDPR
- Equality in Local Government: The Councillors' Role
- Local Government Finance: The Essentials
- Overview and Scrutiny
- Good and Efficient Chairing of Meetings
- Treasury Management Briefing

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

### **6. Future Developments and Plans for 2022 / 2023**

Overall, the Audit and Governance Committee want to continue to develop and build on our current achievements. For 2022-23 this will involve:

- Continuing to drive up standards of corporate governance;

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

## ANNEX A

### 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:*

- (k) 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;*
- (l) To consider summaries of specific internal audit reports as requested;*
- (m) To consider and approve the Council's arrangements for the internal audit service;*
- (n) To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale;*
- (o) To consider any high priority recommendations contained in internal audit reports or 'limited assurance' audit reports;*
- (p) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance;*
- (q) To consider specific reports as agreed with the external auditor;*
- (r) To comment on the scope and depth of external audit work and ensure that it gives the Council good value for money;*
- (s) Through the Executive Director of Finance liaise with the Audit Commission over the appointment of the council's external auditor;*
- (t) 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:

- (n) 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;*
- (o) Review any issue referred to it within these Terms of Reference by the Chief Executive, Section 151 Officer or any body of the Council;*
- (p) Monitor the effective development and operation of risk management and corporate governance within the Council;*
- (q) Approve and monitor the Council's 'whistle-blowing', anti-fraud and anti-corruption policies;*
- (r) Review and make recommendations on the Council's Annual Governance Statement;*
- (s) Consider the Council's corporate governance arrangements and make recommendations to ensure compliance best practice;*
- (t) Monitor the Council's compliance with its own and other published standards and controls;*
- (u) 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;*
- (v) The Chair of the Audit and Governance Committee shall act as the Member Risk Champion;*
- (w) To have oversight the Council's Performance Management Framework so far as it relates to the Corporate Governance Functions of the committee;*
- (x) Such other matters as required by law or guidance to be the proper remit of the Audit and Governance Committee;*

- (y) 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;*
- (z) 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:*

- (c) 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;*
- (d) Consider reports of the external auditor to those in charge of governance on issues arising from the audit of the accounts.*