

# GOVERNANCE AND AUDIT COMMITTEE

Date: 24 July 2019

Venue: East Northamptonshire House, Cedar Drive, Thrapston

Time: 7.30pm

Present: Councillors: Peter Wathen (Chairman)  
Alex Smith (Vice-Chairman)  
Rosalie Beattie Robin Underwood  
Sylvia Hobbs

## External attendees:

Rachel Ashley-Caunt Head of Internal Audit  
Neil Young Ernst & Young LLP (EY), External Auditor

## 118. SHARN MATTHEWS, MONITORING OFFICER

The Chairman indicated that Sharn Matthews, Monitoring Officer, was attending her last meeting of this Committee. He thanked her for all the help she had given to Members and wished her a long and happy retirement. These remarks were endorsed by all Members.

## 119. WELCOME

The Chairman welcomed Sharon Penfold, ICT Business Support Manager, to the meeting.

## 120. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Annabel de Capell Brooke.

## 121. MINUTES

The minutes of the meeting held on 27 March 2019 were approved and signed by the Chairman.

## 123. DECLARATIONS OF INTEREST

No declarations of interest were made.

## 124. QUESTIONS UNDER COUNCIL PROCEDURE RULE 10.3

No questions were submitted under Procedure Rule 10.3.

## **125. ANNUAL INTERNAL AUDIT REPORT**

Members received a report providing a copy of the Annual Report for 2018/19 which contained the Head of Internal Audit's annual opinion on the Council's control environment and the basis for this opinion.

Based upon the work undertaken by Internal Audit during 2018/19, the Head of Internal Audit's overall opinion on the Council's control environment was that Satisfactory Assurance could be given that there was generally a sound system of internal control, designed to meet the organisation's objectives and that controls were generally operating effectively in practice, with the exception of those relating to IT.

The report contained details of the delivery of the Internal Audit Plan for 2018/19 and achievement of the service's performance indicators. The team had delivered 100% of the agreed assignments from the Internal Audit Plan for 2018/19. A summary of the key findings from each assignment was provided within the Annual Report.

### **RESOLVED:**

That the Annual Internal Audit Report and Opinion for 2018/19 be noted.

*(Reason – to review the performance of Internal Audit against the agreed plan and any key findings regarding the Council's risk management and control arrangements in accordance with the Public Sector Internal Audit Standards)*

## **126. INTERNAL AUDIT – PROGRESS AND PERFORMANCE**

The Head of Internal Audit presented a report on the progress made on the delivery of the Internal Audit Plan for 2019/20 and associated measures of performance.

One assignment had been completed (certification of a grant claim) and fieldwork was underway on a number of further assignments (Asset Management; Homelessness; Community Safety and ASB; Enterprise Centre – Embedded Assurance). One overdue action had now been completed (Procurement 2018/19).

It was acknowledged that changes to the Internal Audit Plan would be identified and in particular, consideration would be given to including additional IT work, in the light of consideration of a report from the IT Business Support Manager later in the meeting.

### **RESOLVED:**

That the progress and performance of the Internal Audit Service, and the key findings from audits delivered during the period, be noted.

*(Reason: To review the performance of Internal Audit against the agreed plan and any key findings regarding the Council's risk management and control arrangements in accordance with the Public Sector Internal Audit Standards)*

## **127. INTERNAL AUDIT CHARTER & STRATEGY**

The approval of the Committee was sought to the annual Internal Audit Charter and Strategy.

No amendments to the Charter were proposed for 2019/20. Having reviewed the document, the Committee

**RESOLVED:**

That the Audit Charter and Strategy be approved.

*(Reason – To demonstrate that the Committee is discharging its responsibilities in conformance with the Public Sector Internal Audit Standards).*

**128. CODE OF CORPORATE GOVERNANCE REVIEW**

Members considered a revised Code of Corporate Governance which reflected the decision from the Secretary of State for Housing, Communities and Local Government to create two new unitary councils for Northamptonshire.

The Code had also been updated to reflect various other changes since the last review in 2017, including the change in Committee structures, the appointment of a qualified Data Protection Officer and the adoption by the Council of a number of new policies and strategies, including those on Economic Development, Commercialisation, Treasury Management and Healthy and Active Lifestyles.

**R.3 RESOLVED TO RECOMMEND TO FULL COUNCIL:**

That the revised Code of Corporate Governance, as set out in Appendix A to these Minutes, be adopted.

*(Reason: To allow for review of the Code of Corporate Governance and ensure it meets best practice).*

**129. ANNUAL REPORT OF THE GOVERNANCE AND AUDIT COMMITTEE**

Members considered the Annual Report of the Committee, which summarised the work of the Committee in the year and provided the results of the annual review of its effectiveness.

The report identified four areas where the effectiveness of the Committee could be further strengthened and recommendations were presented:

- 1 A suitable training programme should be developed, to include meeting the training requirements of new members.
- 2 There should be earlier engagement with the Governance and Audit Committee regarding the Annual Governance Statement and draft Statement of Accounts.
- 3 A 'deep dive' into one or two critical risks could be undertaken at each meeting, for the Committee to get a broader understanding of how the Risk Management Strategy was being implemented
- 4 Earlier engagement with the Governance and Audit Committee regarding the Statement of Accounts would enable the Committee to give more timely attention to financial management and reporting issues (training session undertaken just prior to the Committee meeting).

Further consideration of recommendation 3 would be undertaken later in the meeting under agenda item 13 (Risk Management Update).

**RESOLVED:**

That the annual report of the Governance and Audit Committee, including the recommendations to further enhance the effectiveness of the Committee, be approved.

*(Reason: To ensure the Governance & Audit Committee are following good practice guidelines on performance and effectiveness)*

**130. RESCHEDULING OF THE 2018/19 STATEMENT OF ACCOUNTS AUDIT**

The Committee received and considered a report from the Finance Manager indicating that –

- EY - the Council's External Auditor - had notified the Council in writing that they were unable to deliver the 2018/19 Statement of Accounts audit within the statutory timescale of 31 July 2019, due to resource constraints. Instead they committed to issue the opinion by 30 September 2019.
- The same delays would be experienced by all other Northamptonshire authorities and the Chief Executives of these authorities had collectively expressed concerns
- In order to comply with the Accounts & Audit Regulations 2015,
  - (a) the Responsible Financial Officer was required to sign the Statement of Accounts by 31st May each year, and
  - (b) the Statement of Accounts had to be approved by this Committee, complete with the external auditor's opinion on whether they represented a true and fair view, by 31 July.
- It was noted that EY had prepared wording to be presented alongside the unaudited accounts to explain that the failure to include the external auditor's opinion by 31 July was due to a lack of resources on their part and the fault did not lie with the council.
- Another meeting of this Committee had been scheduled for 25 September 2019 for the review and approval of the final audited version of the Statement of Accounts.

Neil Harris, Associate Partner of EY, attended the meeting and provided further information. He apologised to Members for the problems being experienced and addressed questions posed by the Committee.

**RESOLVED:**

That the contents of the report be noted.

*(Reason: To ensure the Committee understand the reason for the delay to the audit timetable and recognise the impact on this Council)*

### **131. EXTERNAL AUDIT ANNUAL FEE LETTER 2019-20**

The Committee received a report from the Finance Manager relating to the letter from EY, the Council's External Auditors, setting out the arrangements and fees for the 2019/20 audit. EY had also provided the Method Statement giving details of the proposed audit approach.

For the 2019/20 financial year, the indicative audit fee was set at the scale fee of £34,673 - the same as the audit fee initially planned for the 2018/19 audit. The scale fee covered the audit of the financial statements, the value for money conclusion and Whole of Government accounts.

If EY identified a need to make any significant amendments to the 2019/20 audit fee during the course of the audit, it was proposed that they would discuss the matter in the first instance with the Section 151 Officer and include the revised fee and the matters giving rise to the adjustments in the Audit Results Report which would be presented to this Committee.

The Chairman asked that he should be included in any discussions. He also expressed concern that EY had indicated that there would be an increase to the planned audit fee for 2018/19 as a result of changes to the audit plan in relation to the valuation of investment properties.

#### **RESOLVED:**

That the report be noted.

*(Reason: This is an information report which sets out the fees and arrangements for the 2019/20 External Audit of the Statement of Accounts).*

### **132. DRAFT STATEMENT OF ACCOUNTS 2018/19**

The Finance Manager submitted the Draft Statement of Accounts 2018/19. This had been signed off on 30 May 2019 by the Chief Finance Officer, who was satisfied that the pre-audit Statement of Accounts presented fairly the financial position of the Council at 31 March 2019.

A revised timetable was submitted to take account of EY's inability to complete the audit of the accounts in time to meet the statutory deadline of 31 July 2019.

Members thanked the Finance Manager for the detailed briefing on the Statement of Accounts prior to the meeting. After further considering the Draft Statement and noting that, in relation to the Defined Benefit Pension Scheme, the impact of the final outcome of the impact of an appeal arising from the McCloud case would be disclosed to Members, it was

#### **RESOLVED:**

That the Committee endorses the Draft Statement of Accounts 2018/19, prior to EY auditing the financial statements, and that they be re-published before 31 July, acknowledging that they are still a draft without an audit opinion due to EY's resourcing constraints.

*(Reason – To provide Members with a copy of the Draft Statement of Accounts prior to external audit in accordance with best practice, and for ENC to acknowledge its statutory obligation of approving the Statement of Accounts before 31 July 2019 whilst not being able to, due to EY's resourcing constraints)*

### **133. RISK MANAGEMENT UPDATE – QUARTER 4 2018/19**

The Finance Manager submitted a report on the Council's risk register for quarter 4 of 2018/19, containing details of:-

- Corporate risks
- High Priority Risks
- Risks with 'very high' impact scores – by each impact measured
- Risks ended in the last quarter (none)
- New risks in the last quarter (two identified)
- Overdue actions (none).

The Monitoring Officer reported on four Corporate risks in the report which were her responsibility to monitor where scores had increased in recent months.

The Committee also considered, following the recommendation within its annual Report for 2018/19 (above), whether it would like to select a risk/s for a 'deep dive' at the next meeting of this Committee.

#### **RESOLVED:**

- (1) That the current status of risks included in the report for the period January to March 2019 be noted.

*(Reason: To ensure the Council has an up to date and effective risk reporting process in place)*

- (2) That Planning risks be identified for a 'deep dive' at the next meeting of the Committee and that the Chief Finance Officer, in consultation with the Chairman and Vice-Chairman of the Committee, draw up a timetable scheduling the risks to be subject to "deep dives" at subsequent meetings of the Committee.

*(Reason: to understand in more detail how the Council is assessing and managing its most significant risks)*

### **134. EXCLUSION OF PRESS AND PUBLIC**

#### **RESOLVED:**

That the public and press be excluded from the meeting during consideration of the next item of business (Cyber Security Audit) in accordance with paragraph 3 of Section 100A of the Local Government Act 1972, because exempt information may be disclosed.

### **135. CYBER SECURITY AUDIT**

The ICT Business Support Manager submitted a report outlining the result of the recent Internal Audit review of Cyber Security arrangements at this Council.

A number of recommendations had been made and the Committee acknowledged that many of them had subsequently been, or were being, delivered through the ICT Security Improvement Roadmap and through current ICT projects and activities.

The report was not for publication in accordance with paragraph 3 of Section 100A of the Local Government Act 1972.

The ICT Business Support Manager also gave a presentation on the subject.

### **136. SUSPENSION OF COUNCIL PROCEDURE RULE 8**

At 9.29 pm, it was proposed that Council Procedure Rule 8 (Duration of Meeting) be suspended to enable the Committee to continue the business on the agenda. On being put to the vote, it was

#### **RESOLVED:**

That Council Procedure Rule 8 be suspended to enable the Committee to complete the business on the agenda.

### **137. CYBER SECURITY AUDIT**

The Committee continued with its consideration of the report of the ICT Business Support Manager and called for more involvement for Members in relation to monitoring of the implementation of recommendations on this important issue.

It also addressed the need for further Internal Audit involvement.

#### **RESOLVED:**

- (1) That the LGSS Audit report on Cyber Security and recommendations be welcomed and the ICT Business Support Manager be thanked for her presentation.
- (2) That, to enable an update report to be made to all meetings of this Committee until all the recommendations are implemented, a small working party be established comprising the Chairman and Vice-Chairman of the Committee and appropriate officers, with the power to co-opt as necessary, and that the working party consider at its first meeting draft terms of reference for approval by this Committee.
- (3) That an interim Internal Audit review be undertaken and a report presented to the Committee in October 2019, with a follow up audit and report in February/March 2020.

*(Reason: to ensure the Council reaches and maintains an appropriate level of IT controls)*

**Chairman**