



**NORTHAMPTON**  
**BOROUGH COUNCIL**

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**Annual Governance Statement**  
**2019/20**

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# **NORTHAMPTON BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2019/20**

## **1. Introduction**

This document describes Northampton Borough Council's (NBC) governance arrangements and assesses how closely the Council aligns with good practice. This statement for the 2019/20 financial year is a more positive statement that has seen many changes and improvements in response to previous governance issues identified in previous years. This document draws on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, internal control reviews, returns by Senior Officers, the Statement of Accounts, Audit Committee, the overview and scrutiny process, and external audit.

Work has been completed around internal controls within NBC, LGSS and NPH to enable policies, procedures and processes to be reviewed, evaluated, improved and, where necessary, implemented. Following the completion of internal reviews, a programme of works around compliance within a number of processes has been developed to ensure service areas follow the agreed procedures.

The continued work of BDO as the Council's internal auditors has seen a greater increase in internal audit review activity and has assisted the service areas in focussing their actions to areas of risk that had previously been seen as weak. This statement details the internal audit reviews performed in 2019/20 at section 10.

The close down process within LGSS, who are responsible for the finance function of NBC, was improved for the 18/19 and 19/20 annual statement of accounts. Ernst and Young were appointed the external auditors, as per PSAA, for the last two years and although the 18/19 accounts are still to be finalised, the issues around the previous years late submission have not been a factor.

The close down team are working closely with the external auditors to ensure all information is accurate and correct with further reviews on the balance sheet reconciliations being conducted by LGSS internal audit to provide assurance around the processes in place.

## **2. Corporate Governance**

Corporate governance comprises the systems and values by which councils are directed and controlled and through which they are accountable to and engage with their communities. The Chief Executive, Senior Management, managers, employees and Councillors acknowledge they have full responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) within NBC.

To demonstrate compliance with the principles of good corporate governance, NBC must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

The governance arrangements within NBC have been revised with greater focus on the control environment, policies and procedures ensuring that councillors and employees are educated and well informed when making decisions. This continued throughout 2019/20. This statement sets out the how the effectiveness of the governance arrangements have been monitored and evaluated during the year and sets out any changes planned for 2020/21.

This statement describes the extent to which the Council has, for the year ended 31<sup>st</sup> March 2020, complied with its Governance Code and how the Council met the requirements of regulation 6 of the Accounts and Audit Regulations 2015, in relation to an annual review of the effectiveness of the

Councils system of internal control, and the preparation and approval of an annual governance statement.

A copy of the code of corporate governance (updated September 2019) can be found on our website [Click here](#)

In 2019/20 the governance code was reviewed and updated in accordance with the governance guidance produced by CIPFA and SOLACE in 2016. The principles set out in the Councils code are consistent with the guidance.

<b>Northampton Borough Council Code of Corporate Governance (2019)</b>
1. Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

### **3. The purpose of the governance framework**

The Governance Framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

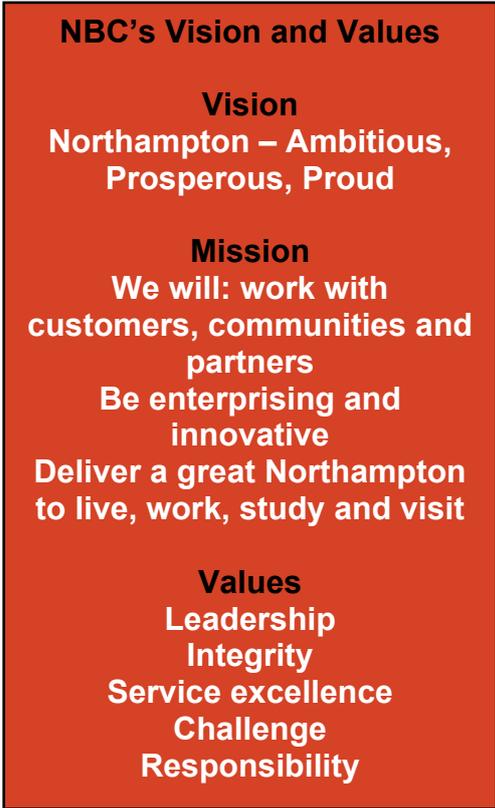
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims, and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims, and objectives. It is also designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The Constitution is the key document in the Council's governance framework. The Borough Secretary (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes that are approved as part of any policy changes. The last major revision of the Constitution was in November 2018.

#### 4. Corporate Plan

The Council's corporate priorities are set out in the Corporate Plan 2019-21. These are based around three strategic priorities:

- **A Stronger Economy**  
Creating a cleaner, greener town  
Creating a thriving, vibrant town  
Driving growth whilst preserving the town's heritage
- **Resilient Communities**  
More homes, better homes  
Empowering local people  
Improving the health and wellbeing of local people  
Keeping the town and people safe
- **Exceptional Services to be proud of**  
Putting the customer first  
Using public resources effectively  
Improving our governance



**NBC's Vision and Values**

**Vision**  
Northampton – Ambitious,  
Prosperous, Proud

**Mission**  
We will: work with  
customers, communities and  
partners  
Be enterprising and  
innovative  
Deliver a great Northampton  
to live, work, study and visit

**Values**  
Leadership  
Integrity  
Service excellence  
Challenge  
Responsibility

#### 5. Evaluating Performance

The Council has a comprehensive and robust performance management framework. The framework is reviewed annually to ensure that learning and improvement is captured and changes made where necessary. The Council monitors delivery of its priorities and objectives through the performance management framework.

The service plans represent the key plan for each service and clearly set out targets and actions and how each service area contributes to corporate objectives and targets. The service plans address service level improvements, including value for money objectives. Service plans also set out how each service will contribute to a range of corporate performance and improvement objectives. Performance data is reported on a quarterly basis to Cabinet.

The Council has several committees, which carry out regulatory or scrutiny functions, and ensure that decisions and financial performance can be scrutinised:

- Council – Approves annual budget, medium term financial plan and sets council tax.

- Cabinet - makes executive decisions which can be called in by Scrutiny using formal call-in powers in the constitution.
- Planning Committee - determines planning applications and related matters.
- Standards Committee - Standards Committee promotes monitors and helps to maintain high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the Borough.

On behalf of Standards Committee the Council's Monitoring Officer has provided briefings and guidance to Members, Parish Councillors and relevant officers on matters in relation to Standards generally and to also remind Members of their obligations under the Code of Conduct, the Register of Interests, Gifts and Hospitality.

**Audit Committee** - provides overview on the adequacy of internal controls, financial accounting and performance reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council. It also reviews areas of concern to the committee, particularly around risk, fraud and failure of systems of control. The Audit Committee meets quarterly.

**Licensing Committee** - monitors and reviews the effectiveness of the Council's licensing policy and procedures and make individual licensing decisions as required. Committee Members receive initial training to enable them to sit on the Committee, and ad-hoc training on any legislation changes as required.

**General Purposes Committee** - which is a sub-committee of full Council, makes decisions that are not the responsibility of the Executive or other committees.

**Appointments and Appeals Committee** - has responsibility for appraising senior officers and dealing with certain disciplinary and grievance matters.

**The Overview and Scrutiny Committee (O & S)** - since May 2010 the Council has had one O & S Committee which sets up time-limited Scrutiny Panels to carry out in-depth reviews. The Committee comprises fifteen Members. The Scrutiny Panels now hold their meetings in public and individuals are encouraged to attend.

Overview and Scrutiny is a key part of the modernised arrangements for governance in local councils and also an important mechanism for driving forward performances in services. The four key legislative roles are:

- Holding the Executive to account
- Policy development and review
- Best Value Reviews
- External Scrutiny

The Committee provides the opportunity for Councillors that are not members of Cabinet to examine various functions of the Council, to question how key decisions have been made and to champion issues of local concern to residents.

It is also charged with finding ways of ensuring that the issues that matter to the public are the focus of their attention, and with finding new ways of getting citizens involved in the things that affect them. Overview and Scrutiny has considerable powers:

- Holding decision makers to account
- Challenging and improving performance
- Supporting the achievement of value for money
- Challenging the ways things are done
- Influencing decision makers with evidence based recommendations

- Bringing the evidence and views of stakeholders, users and citizens

The Committee is Councillor led and as well as Councillors leading on the review of topics, where they research issues and develop recommendations, they are also involved in setting the Committee agenda, bringing forward topics and issues, identifying who they want to hear from to help their work and what they want to know and how they want it presented to them.

The O&S Committees can “call-in” a decision that has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. Call in can be referred to O&S by at least two Councillors.

The Committee becomes involved with decisions at an appropriate early stage to apply real influence and therefore play the important role of ‘critical friend’ to Cabinet.

The Council’s O & S Committee is a very effective model, both for pre-decision investigations, and for a call-in process to scrutinise decisions of the executive.

**Open Policy and Decision-making** – All Council meetings, agendas and minutes can be viewed on the website [click here](#).

## **6. Financial Framework**

The financial management of the Authority is conducted in accordance with the financial rules set out at Article 13 and in the Financial Regulations section within the Constitution. The Council has a designated Chief Finance Officer in accordance with Section 151 (S151) of the Local Government Act 1972 who is an NBC employee. The Strategic Finance Business Partner is the Deputy S151 officer. The Deputy 151 Officer is an LGSS employee, whose function is provided to the Council through the LGSS Partnership Agreement. This arrangement has been reviewed against CIPFA’s Statement on the Role of the Chief Finance Officer 2010, and successfully complies with all of the criteria. The Chief Finance Officer is a member of Corporate Management Board and reports directly to the Chief Executive.

The Council maintains an Internal Audit service provided through a contract with BDO awarded in 18/19 to provide internal audit services to NBC. BDO operate to the standards set out in the ‘Code of Practice for Internal Audit in Local Government in the UK’. This is supplemented by an internal audit function delivered by LGSS to provide assurance to NBC for the services hosted by LGSS.

Individual services produce annual service plans. These Service Plans are updated each year so as to incorporate the Corporate Plan requirements into service activities, so that services know what they are required to do to achieve the Council’s priorities and ambitions. These plans also identify any governance impact.

The Council’s external audit services have been previously provided by KPMG and for 2018/19 onwards Ernst & Young (EY) were appointed as external auditors through PSAA. EY will audit the Statement of Accounts; grant returns, whole of government accounts and the national fraud initiative.

## **7. Risk Management Framework**

The Council’s risk management process is fundamental to the system of internal control.

The aim of risk management at NBC is not to remove all risks, but to understand the nature of risks and to implement controlled, sensible, balanced and cost-effective measures, to manage or mitigate risk and achieve objectives within each activity and across the portfolio of all activities. Risk management therefore is not about being ‘risk averse,’ but about being ‘risk aware’ and this awareness will mean that the Council and its leadership team is better able to avoid threats and hazards and also take full advantage of opportunities that arise in the course of its business.

NBC recognises there is uncertainty in everything it does, and the uncertainties present both threats and opportunities. The Council will manage these uncertainties by identifying, evaluating and managing risk, increasing the authority's success in achieving its priorities and objectives and also by putting in place contingencies and an organisational agility for both planned and also unforeseen events.

Although the corporate risk management framework is set and monitored by Cabinet (who have ultimate responsibility for it) and the Council's Management Board (working in conjunction with the Chief Finance Officers department), core delivery of the approved risk management framework is primarily led by and rests with the Chief Executive, Heads of Service and statutory officers acting individually and collectively as part of the Management Board, and who are then supported by their departmental management teams or equivalent. The Borough Secretary works in collaboration with Heads of Service further to this offering professional advice and challenge and works in reporting and monitoring terms to this protocol.

Furthermore, all Members, managers and staff of the Council, including when acting in partnership and joint venture with other bodies and organisations, have a general responsibility and duty to manage risk as an integral part of their role.

In addition, specific core risk-related/risk-driven support service activities, such as the performance management function, health and safety, insurance, emergency and business continuity planning and programme and project management, all contribute to the overall corporate risk management process.

The Council and its leadership team set the "tone from the top" on risk management and directly oversee the risk management function in achieving its objectives which are:

- Continuously develop Northampton Borough Council's risk management framework to support the achievement of the Council's corporate plan Securing Northampton's Future and its core ambition to be one the best councils in the country
- Facilitate the achievement of Council priorities and objectives by embedding an effective process of identification and management of strategic, service level and key operational risks
- Similarly facilitate the achievement of Council priorities and objectives by embedding an effective process of identification and management of major programme and project risks
- Ensure where appropriate risks are effectively escalated, and escalation is timely
- Successfully manage the risks associated with the economic and financial short, medium and long-term
- Ensure the risks associated with partnerships are effectively identified and managed
- Promote risk-awareness, particularly business risk awareness, risk-intelligence and risk management throughout the Council
- Ensure risk management processes are engaging and relevant to all staff
- Capture, expand and act upon positive risk opportunities
- Support the effective identification and management of risks associated with delivering existing and new council services into both existing and new markets
- Proactively identify and manage emergent risk
- Clearly state and communicate to all council officers, managers, partners and residents their risk management responsibilities
- Manage risk in line with recognised best practice in public sector governance

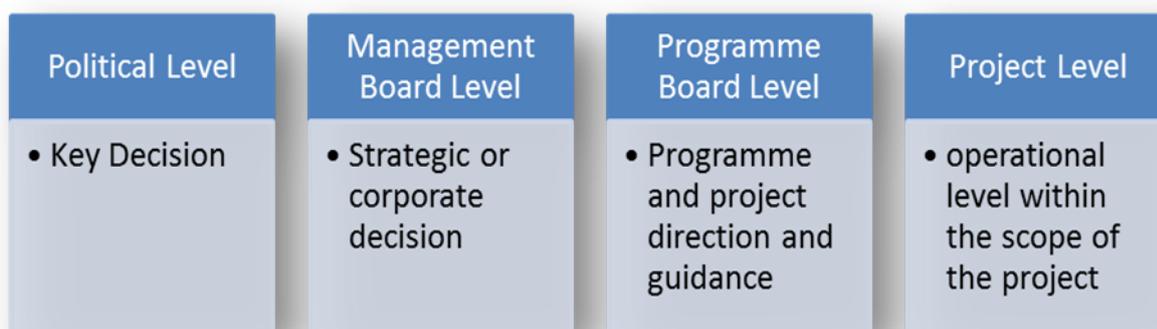
Operational risk registers are in place within each service area. Any risks are escalated to Management Board if an identified risk is thought to have a corporate impact. The Corporate Risk register is updated on a quarterly basis. For 2019/20 the corporate risk register was presented to Cabinet and Audit Committee on a quarterly basis.

Programme and Project Management Governance:

During 2019/20 key projects were reported monthly into Management Board through the Head of Service for Economy, Assets and Culture. The governance arrangements were amended to improve the focus of decision making, and to support the early consideration of issues through new member/officer arrangements. Individual projects are governed by project boards which report into the Head of Service for Economy, Assets and Culture.

The Project Management Framework was updated during 19/20 and covers the governance in place to ensure that programmes and projects make the best use of the organisation's resources, that risks associated with the investments are managed and that there is accountability for decisions made at programme level.

The framework included all the levels of engagement for a programme and its projects and included the Leader, Cabinet Members, EPB and review agencies such as Internal Audit.



So that Members and Senior Officers had oversight of key council programmes of work, the Leader chairs the Executive Programme Board (EPB).

The Membership of the EPB includes the Leader, Management Board, the Deputy Leader and the Cabinet Members.

The oversight that EPB provided on programmes of work acted as a two way communication between the political level and the Management Board level and sought to inform Management Board decisions, whilst recognising formal decisions are made publicly through formal Cabinet.

## 8. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The system for 2018/19 is below:

- BDO internal audit reports and LGSS assurance reports
- Review and approval by Corporate Management Board
- Review and approval by EPB
- Review and approval by the Audit Committee
- Follow up on audit recommendations by the internal auditors and the governance team

The review of effectiveness was informed by the work of the managers within the Council who had responsibility for the development and maintenance of the governance environment, the internal auditor's annual report and by comments made by the external auditors and other review agencies and inspectorates.

Internal audit, under the terms of engagement, is required to provide those charged with governance with an opinion on the overall adequacy and effectiveness of the council's:

- Risk management

- Control
- Governance processes

Collectively this is referred to as “the system of internal control”. The BDO 2019/20 annual opinion is covered at point 10.

## **9. Councillors and Senior Officers Development**

Councillors are offered a full, comprehensive induction programme after their election. This includes initial and ongoing training sessions. For 2019/20 the following courses and briefing sessions were run for Councillors:

- 15<sup>th</sup> April 2019 – Financial and Governance Awareness (development)
- 25<sup>th</sup> April 2019 – Antisemitism and Islamophobia (briefing)
- 1<sup>st</sup> May 2019 – Unitary Update (briefing)
- 9<sup>th</sup> May 2019 – Cllr Development Group
- 20<sup>th</sup> June 2019 – Local Government Reorganisation (briefing)
- 16<sup>th</sup> July 2019 – Cllr Development Group
- 18<sup>th</sup> September 2019 – Local Government Reorganisation (briefing)
- 23<sup>rd</sup> September 2019 – Cllr Development Group
- 1<sup>st</sup> October 2019 – Cllr Briefing Session (briefing)
- 28<sup>th</sup> October 2019 – Town Centre Masterplan (briefing)
- 16<sup>th</sup> December 2019 – Cllr Briefing Session (briefing)
- 23<sup>rd</sup> January 2020 – Local Government Reorganisation (briefing)
- 26<sup>th</sup> February 2020 – LGBTQ (briefing)
- 27<sup>th</sup> February 2020 – Cllr Briefing Session (briefing)
- 11<sup>th</sup> March 2020 – Cllr Briefing Session (briefing)

Additionally, all Councillors new to Committees are trained before they sit on a Committee. Further sessions are planned for 2019/20.

The development and training needs of all levels of employees and Councillors are identified in a number of ways - through performance appraisals, a Health & Safety training matrix and a 360-degree feedback process for the leadership teams. Job specific and interpersonal skills development interventions were sourced from specialists who had the expertise to deliver the required support.

## **10. Internal Audit**

An internal audit plan is prepared each year and agreed at the Audit Committee. For 2019/20 the audit plan was considered and approved by Audit Committee on March 18th, 2019. Audits completed during the year are detailed below.

BDO Internal audit services were responsible for the end to end review of internal processes and controls for 2019/20. LGSS internal audit services do not provide the internal audit service for NBC but do provide assurance on the areas delivered by LGSS as a third party as detailed below.

The reporting process for internal audit required a report of each audit to be submitted to the relevant service manager and/or chief officer. The reports included recommendations for improvements that were presented within an action plan and required agreement or rejection by a service manager and/or chief officer. The process included follow-up reviews of recommendations to ensure that they have been acted upon, usually within six months. The Governance team assist with this tracker and follow up after initial contact by BDO. A follow up tracker is presented to Corporate Management Board monthly and to the Audit Committee quarterly.

All internal audit reports included a report on the quality and effectiveness of internal control within the Council’s systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below.

## **BDO Internal Audit Outturn**

The below table sets out the Internal Audit opinions that can be given:

APPENDIX I - DEFINITIONS				
LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
<b>Substantial</b>	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b>	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b>	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b>	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Based on the work completed, internal audit have issued the following draft opinion for 2019/20:

**“The annual report from internal audit provides an overall opinion of Moderate on the adequacy and effectiveness of the organisation’s risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service.”**

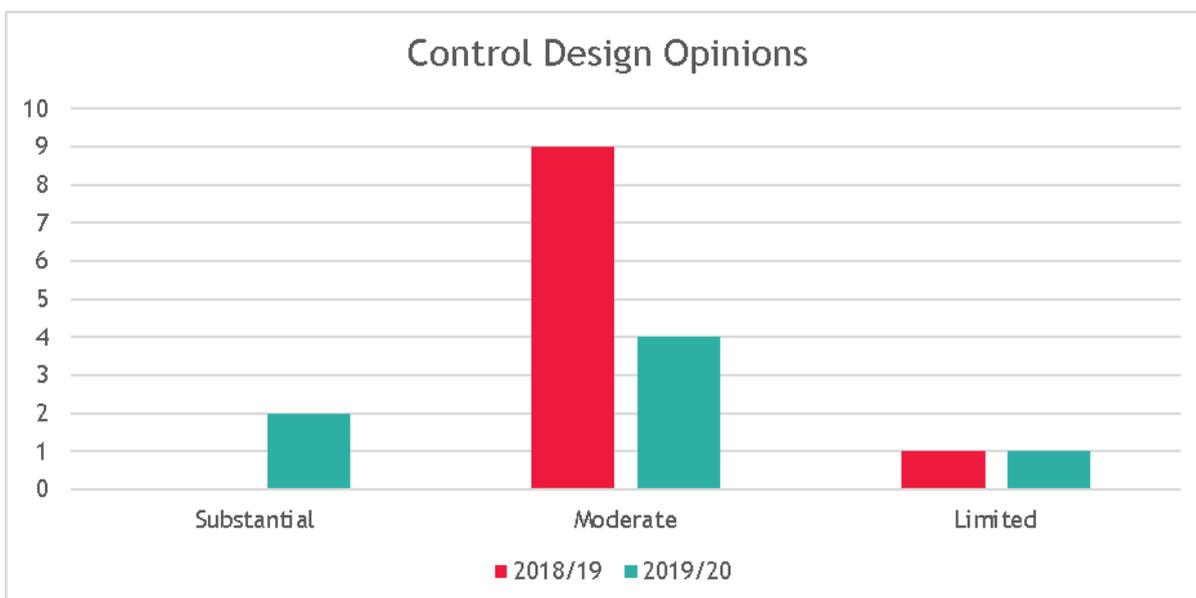
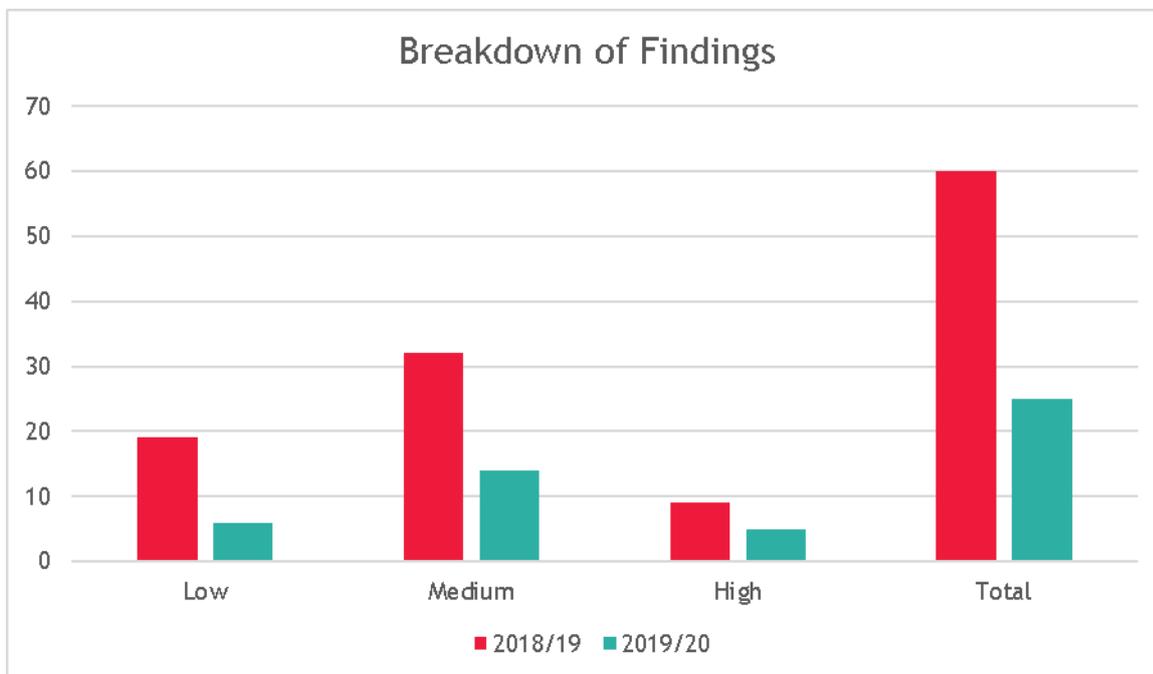
This is an improvement on the 18/19 opinion of ‘Limited’ which was formed mainly due to the lack of implementation of recommendations in a timely manner. There has been a significant improvement in the implementation of 2018/19 and 2019/20 recommendations during our follow ups.

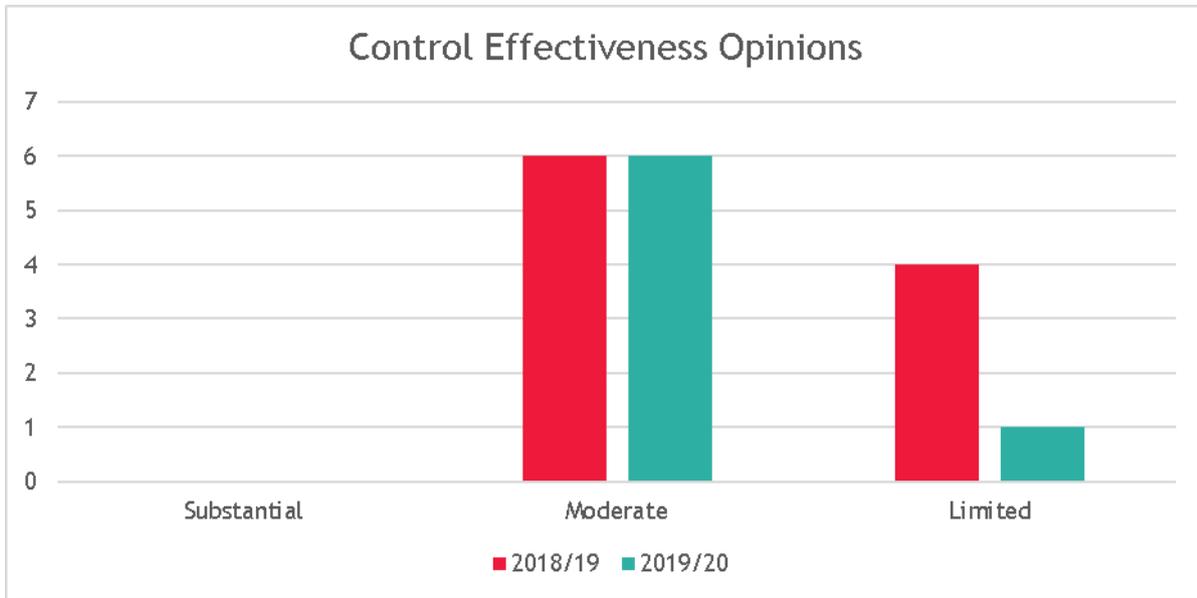
During the year BDO completed audit reviews in the following areas:

- Planning and Section 106
- Enterprise Zone (Economic Growth)
- Contract Management
- Asset Management

- Disabled Facilities Grant – In Progress
- Health and Safety
- Cyber Security
- GDPR Compliance

Graph summary of BDO findings for 2019-20





The audits completed were focussed as a result of reviewing the Corporate Risk Register and targeting the high-risk areas. Interviews were also conducted with the Heads of Service for their input and views on risk within NBC.

Limited audit opinions for the design and control effectiveness relates to the Asset Management audit report. The issues are detailed below with the planned action to address them during 20/21.

Design and control effectiveness limited assurance			
Asset Management			
Risk	Finding	Planned actions	Due date:
Inadequate reconciliations are completed between the asset management system and the finance system to recognise rent collection	The following reconciliations are not in place at the time of the review: reconciliation between the (a) GVA (Tenancy Schedule) and RAM and (b) Tenancy Schedule and Agresso for completeness of records and accuracy of valuations.	Tenancy schedule and Agresso reconciliation for year ending 2019 2020 has begun, any discrepancies will be investigated and corrective action taken	Jun-20
Rent income is not charged, billed and collected effectively leading to a failure to recuperate all due income	Out of date records and tenancies or missing memorandum may result in incorrect information being used for capital accounting, rent reviews not being undertaken in a timely manner, rentals being collected that are not market value and possible disputes with tenants especially where there is a change in staff.	The focus for the estates surveyors must be to review the tenancies and document the results of the review, and where this is an uplift this must be collected in a timely manner.	Jun-20
Asset repairs and maintenance are processed inadequately/ineffectively leading to poor condition of assets	There was inconsistency in the processing of internal work requests from Council teams which are not always processed through the Help Desk but by telephone against policy requirements.	All repair and maintenance work requests are processed through the Help Desk for consistency and facilitation of an appropriate audit trail.	Jun-20

### LGSS Internal Audit

LGSS internal audit is a function that provides **assurance** on the work completed by LGSS as a third-party supplier to NBC, they are not engaged directly by NBC for the provision of internal audit services. Individual Findings and the overall level of control are rated by LGSS Internal Audit using the guidelines shown in the following table.

Assurance	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment. .
Moderate	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

The processes reviewed by LGSS in 2019/20:

Audit	Status	Control Environment Assurance	Compliance Assurance	Organisational Impact
Housing Benefits (18/19)	Final	Good	Good	Minor
Agresso IT Review (18/19)	Draft*	Satisfactory	Satisfactory	Minor
Northgate IT Review	Planning			
Academy IT Review	Planning			
Fixed Assets	Final	Good	Satisfactory	Minor
General Ledger	Fieldwork			
Treasury Management	Fieldwork			

*\*This audit was still at draft report stage at the time of writing this report*

For each process area where the assurance is less than “Substantial” either at an overall opinion level or for specific areas within the process, an action plan of improvements for implementation by LGSS has been agreed between the relevant Service Manager and LGSS Internal Audit. These actions will be monitored and followed up during 20/21 by LGSS Internal Audit.

## 11. Northampton Partnership Homes (NPH)

On 5 January 2015 NPH began trading. NPH is an Arm's Length Management Organisation, wholly owned by the Council. NPH is a subsidiary of the Council for accounting purposes and their accounts have been consolidated into the Council's Group Accounts.

### Statement on Internal Controls

As part of their Annual Report, NPH are required to make a formal statement on Internal Controls, covering:

- Corporate Governance
- Business Planning
- Executive Management Team
- Risk Assessment and Management
- Audit
- Performance Management
- Financial Control and Budget Management
- Budgetary Control and Reporting
- Service Level Agreements
- Policies and Procedures

### NPH - Review of Effectiveness

Internal Audit, under the terms of engagement, is required to provide the Board with an opinion on the overall adequacy and effectiveness of the council's:

- Risk management
- Control
- Governance processes

Collectively this is referred to as "the system of internal control".

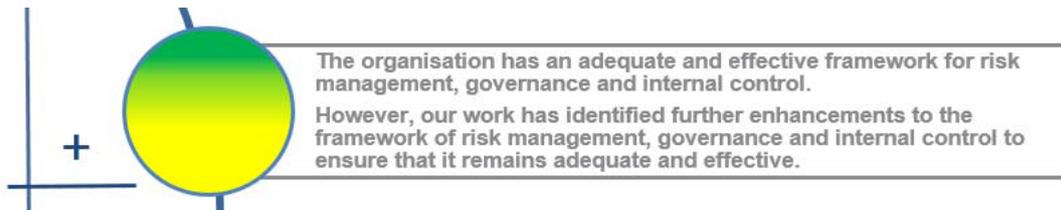
An audit plan is prepared each year and is agreed at NPH's Audit Committee. The 2019/20 audit plan was agreed by the Audit Committee on 19<sup>th</sup> February 2019 and ratified by their main Board on 6<sup>th</sup> March 2019.

A summary of internal audit work completed in 2019/20 showing the level of assurance reported:

### Assignment Assurance level Actions agreed

Risk Management	Substantial Assurance
Governance – Transparency between CIC Board and the Parent Board	Reasonable Assurance
Rent Collection & Arrears	Substantial Assurance
Key Financial Controls	Reasonable Assurance
Data Quality	Reasonable Assurance
Tenant Health & Safety - Electrical and Radon	Partial Assurance
Voids (Non-Maintenance) and Allocations	Reasonable Assurance
Business Planning	Substantial Assurance
Project Management	Substantial Assurance
Direct Labour Organisation (DLO)	Reasonable Assurance
Follow up	Reasonable Progress
Resident Scrutiny	Reasonable Assurance

## RSM 2019/20 Annual Internal Audit Opinion



RSM had identified the following issue that should be included within the Annual Governance Statement for 2019/20:

Based on the work we have undertaken on the system of internal controls we consider that the issues identified within the Tenant Health & Safety - Electrical and Radon reviews should be considered for inclusion in the statement on internal control. The issues relate to the recording of information on the Open Housing system in relation to installations in new properties and updates following planned maintenance and repairs.

### 12 Current Governance Issues

The Senior Management team during 19/20 remained stable which led to greater governance in terms of service areas being aligned and allowed greater control over internal processes and procedures, LGSS contract management, finance, IT, procurement and governance.

Controls throughout the business have greatly increased with the implementation of internal audit recommendations and the business being assisted by the governance and internal controls team where necessary to ensure relevant controls are in place before processes are implemented.

Reporting to Corporate Management Board (CMB) was on a weekly basis with a Head of Service report being presented by each service area on a bi-monthly basis. Heads of Service also give weekly service updates as part of 'any other business' to CMB members. For 20/21 it is planned that there will be the introduction of a dedicated CMB once a month to discuss operational issues within the service areas and address any strategic issues.

Reports were presented to CMB on GDPR breaches, FOI requests, H & S audit and inspections and related recommendations, internal control and internal control audit recommendations and the current status of each. This has helped in implementation and closure of the recommendations made through feedback from the senior team to their managers.

The Chief Executive continues with the monthly briefing sessions to inform employees on the progress of the Local Government Reform, all employees are invited to the sessions which serve to give detail about the various workstreams in the unitary project. These will continue until March 2021.

As NBC will be going into a Unitary authority on 1<sup>st</sup> April 2021 that work will consume a good deal of time in 20/21 of senior managers and service area managers who will be involved in the workstreams, with workloads increasing as the year progresses. Policies, procedures and processes will be worked on as part of the joint working with the other authorities and merged into the new authority enabling any control weaknesses to be addressed where they are identified. The main governance issue for 20/21 will be of the capacity for staff to manage additional workloads.

For 20/21 NBC will work on the current outstanding audit recommendations in all areas to ensure they have been implemented prior to going in to unitary and service area managers will be assisted by the governance team to ensure this is done. Follow up and progress reports are presented to the Audit Committee on a quarterly basis.

Managers sessions are run bi-monthly for all service managers and these are presented by two of the heads of service on a rotating basis. These sessions are extremely popular and informative with topics ranging from the introduction of new procedures i.e. project management, to the presentations by park

rangers and neighbourhood wardens and information on important subjects such as safeguarding. In 2019/20 a focus group was introduced to review employee facing policies with a view to influencing the content prior to them being approved at MTUCM and CMB. This has proved to be effective and has resulted in a number of policy changes.

The Corporate Plan was totally refreshed and approved in March 2020, following on from that the service areas reviewed and updated their plans to be in line with the Corporate Plan objectives, vision mission and values and will take NBC into unitary.

Performance monitoring continues to be collated and reported quarterly to Cabinet. 2020/21 will see a change in the reporting format for corporate measures and will continue to be presented to Cabinet on a quarterly basis and annually to Audit Committee.

### **13 Conclusion**

In 19/20 there has been an improvement in the governance arrangements with more engagement by senior management on control issues. Governance arrangements have been significantly improved during the period and have provided a firm foundation for the Council's financial planning and management to move forward and to better support the Council's corporate objectives. Other governance arrangements are generally fit for purpose in most other areas in accordance with the governance framework. The Council is committed to enhancing these arrangements and ensuring that the improvements required are prioritised and sufficiently resourced.

### **14 Approval of the Annual Governance Statement**

**Councillor Jonathan Nunn**

Leader of the Council

Date:

**Stuart McGregor**

Chief Finance Officer/S151

Date: