



NORTHAMPTON BOROUGH COUNCIL
INTERNAL AUDIT PLAN AND CHARTER 2018-19 AND 2019-20

November 2018



INTRODUCTION

Our role as internal auditors is to provide independent, objective assurance designed to add value and improve your performance. Our approach, as set out in the Firm's Internal Audit Manual, is to help you accomplish your objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our approach complies with best professional practice, in particular, CIPFA Internal Audit Standards and Public Sector Internal Audit Standards.

Internal Audit at Northampton Borough Council

We have been appointed as internal auditors to Northampton Borough Council (the 'Council') to provide the s151 officer, and the Audit Committee with assurance on the adequacy of internal control arrangements, including risk management and governance.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at the Council will also be aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

In producing the internal audit operational plan for 2018-19 and 2018-20 strategic plan we have sought to further clarify our initial understanding of the business of the Council together with its risk profile in the context of:

- The overall business strategy and objectives of the Council
- The key areas where management wish to monitor performance and the manner in which performance is measured
- The financial and non-financial measurements and indicators of such performance
- The information required to 'run the business'
- The key challenges facing the Council.

BACKGROUND

Our risk based approach to Internal Audit uses the Council's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.

INDIVIDUAL AUDITS

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required we will obtain approval from the s151 Officer prior to commencing fieldwork and we will report this to the Audit Committee.

In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff.

VARIATIONS TO THE PLAN

Significant variations to the plan arising from our reviews, changes to the Council's risk profile or due to management requests will be discussed in the first instance with the s151 officer and approved by the Audit and Governance Committee before any variation is confirmed.

APPROACH TO CREATING THE PLAN

The indicative Internal Audit programme for 2018-19 is shown in this document. We have not stated which quarter they will be reviewed in because we have been appointed half way through the audit year and therefore once this Plan is approved they all are priority to be completed as soon as Council and BDO resources become available.

1	Agreed approach with s151 officer and governance lead on 11 September 2018
2	Discussed risks and reviews with Chief Executive and each Head of Service on 18 September 2018
3	Considered client/sector risks and audit plans across our portfolio Reviewed the Council's Risk Register, Strategic Objectives, LGSS Plan, prior auditors reports and the Governance Teams Internal Control Plan
4	Reviewed External Audit papers and discussions to be held once Plan agreed
5	Finalised draft Plan with s151 officer and governance lead
6	Plan was shared with Corporate Management Board
7	Presented the Draft Plan to the Audit Committee for consideration and approval in November 2018

STAFFING

The core team that will be delivering the programme to you is shown below:

Name	Role	Telephone	Email
Greg Rubins	Head of Internal Audit	07710 703 441	Greg.Rubins@bdo.co.uk
Gurpreet Dulay	Audit Manager	07870 555 214	Gurpreet.Dulay@bdo.co.uk

The core team will be supported by specialists from our national Risk and Advisory Services Team and wider firm as and when required.

Our indicative staff mix to deliver the programme for 2018-19 is shown below:

Role	Days	Role mix %
Head of Internal Audit	20	10%
Audit Manager	60	30%
Senior Auditor	60	30%
Other (Specialists / Junior Auditor)	60	30%
Total	200	

REPORTING TO THE AUDIT COMMITTEE

We will submit the indicative Internal Audit Plan for discussion and approval by the Audit Committee in October 2018. We will liaise with the Executive Directors and other senior officers as appropriate to ensure that internal audit reports summarising the results of our visits are presented to the appropriate Audit Committee meeting.

Following completion of the Internal Audit programme each year we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements. Please note that should it be felt the number of days in the plan is to be greater than 200 then Internal Audit can accommodate this.

INTERNAL AUDIT PLAN 2018-19 and 2019-20

Review	2018-19	2019-20	Description
Strategic Priority - All			
Senior Management Restructure CRR: 12	20		On 3 September, the Council changed the senior management structure. This resulted in six Heads of Service reporting to the Corporate Management Board chaired by the Chief Executive. This group is supported by sub-groups. This review will assess the governance design in terms of responsibilities and expectations for meeting purposes/outputs being clear and assessing the effectiveness of the change.
Member/Officer Relationship CRR: 2	15		This will be an assessment of protocols and documented arrangements between Members and Officers and then through interviews and observation of meetings to set out where improvements can be made. This will be an advisory piece of work.
Corporate Fraud CRR: 11	10		The Council have some anti fraud resources via LGSS activities which focus on housing fraud i.e. right to buy, however, this audit will review how the Council manages its corporate fraud (non-LGSS areas) and how effective these arrangements are.
Strategic Priority - Resilient Communities			
Planning Service CRR: 3		15	Review the strategy for the service to assess whether it is fit-for-purpose, the capacity/ knowledge and resilience of the team, and whether operational controls to achieve the objectives for the area are robust.
Safeguarding CRR: 16		20	Consider whether the Council have sufficient controls and processes in place to meet safeguarding requirements not only in the recruitment of their staff but also via the use of supplier staff. This will include the assessment of consistency and robustness with regards to safeguarding where multiple agencies are involved and any interaction with any local safeguarding hubs or teams.
Homelessness and Temporary Accommodation CRR: 4	20		Review arrangements for dealing with homelessness, including policies/procedures, applications, support and on-going monitoring of those assessed to be homeless. Review the controls and processes to manage rough sleeping to ensure the Council are actively identifying those at risk and provide support effectively. Also, include corporate approaches to manage homelessness and how this area is reported.
Housing Rents CRR: 18	15		This review will assess whether rents are calculated accurately in accordance with Council financial regulations, relevant legislation and government guidelines. Also verify if tenants are correctly billed for rents due and sufficient preparations are made prior to upcoming changes in legislation. Test if rent is paid in advance when new and existing tenants sign a tenancy and if performance is monitored and managed on an ongoing basis.

Review	2018-19	2019-20	Description
Strategic Priority - Strong Economy			
Major Capital Projects CRR: 5	20		Review the methodology and practice in the Council to manage projects and review particular projects in detail and assess whether the Council's approach was adhered to. This will include a wider assessment of where projects have failed to meet objectives, to consider the root-cause of this with the aim of improving future project management arrangements. This will focus on the Musuem, Vulcan and Delapré Abbey.
Enterprise Zone (Economic Growth) CRR: 7		15	We will assess the structure, day to day operation and key controls in place to manage the Enterprise Zone.
Strategic Priority - Exceptional Services to be Proud of			
Contract Management CRR: 5		20	Assess the most important contracts at the Council and how these are managed in terms of: whether the contract in place is robust and effective, variations to contracts are approved and embedded promptly, performance management is clear, understood and reported with appropriate action taken and if the culture between parties is effective
Corporate Plan Progress CRR: 12		20	There is a draft Corporate Plan due for approval in October 2018. This review will assess the progress against the Plan early in 2019-20 to identify quickly areas for improvement needed in the governance, progress and effectiveness of the Plan.
People: CRR: 3	25		This review will cover a number of people related areas specifically: staff retention, succession planning, sickness, appraisal process and productivity and communication to staff regarding unitary status
Building Control CRR: 3	15		Review all building control activities from overall reporting and oversight to how day to day operations are conducted in line with legislation and regulations. It will also assess the staff complement training and capacity to deliver activities and how the competitive environment is worked within effectively eg is competitor analysis done and acted upon. We will also assess whether the full costs of the service are accurately recorded.
Cash Handling CRR: 1	15		Identify all petty cash areas in the Council and map out the controls in place to accurately and completely collect and record this cash. We will then test these controls. We will also assess whether sufficient controls around fraud are in place and around procurement/credit cards.

Review	2018-19	2019-20	Description
Strategic Priority - Exceptional Services to be Proud of			
Procurement CRR: 1	15		Assess the arrangements to meet legislation and internal procedures around procurement activities and whether the process achieves value for money and social value
Asset Management CRR: 1		20	This area has undergone high staff turnover and had challenges due to a lack of a condition survey for nine years which is a barrier to creating a Strategy and identifying all assets correctly. We will review the progress made early in 2019-20 against the range of activities currently taking place to give a position statement.
Health and Safety CRR: 15		15	Review the Corporate Policy through to how local risk assessments are undertaken and acted upon. Furthermore to select samples of individual incidents to see if they follow procedures and are raised/managed effectively; this will include risks around Events the Council host/manage. We will also assess overall governance/reporting.
GDPR CRR: 6		20	Review compliance with the May 2018 new GDPR legislation and whether this is being overseen sufficiently and concerns escalated and managed.
Digital Strategy CRR: 6, 14	20		To review the current Digital Strategy and road maps which were approved in September 2018. Progression against these will be assessed and how projects are being managed and whether these are effective.
Cyber CRR: 14		20	Compare the Council arrangements to expected standards for Cyber Resilience. We will then score you against different parameters and set clear aims for improvement. In addition, the LGA stocktake recently was completed which has resulted in an action plan to be implemented over the next few months - this review will assess progress of this.
SUB-TOTAL	190	165	
Management Time	10	20	This includes all planning, liaison and management of the Internal Audit contract including preparation of the Head of Internal Audit Opinion and attendance at all Audit Committees
Contingency	-	15	
TOTAL DAYS	200	200	

REVIEWS CONSIDERED BUT NOT INCLUDED IN THE INTERNAL AUDIT PLAN

The below reviews were raised as possible review areas as part of the audit planning process. To support your assessment of the Internal Audit Plan we have listed the reviews which have not made the Plan and our reasoning for their exclusion.

Review	Audit Days	Reason for Exclusion
Debt Management	15	This is covered as part of work performed by LGSS
Recruitment and IR35	15	This is a known issue with some staff still not compliant with IR35 however the total figure of non-compliance has reduced and PwC covered this area in the last 12 months
Events	15	It is not considered as great a risk as other areas and the outsourced provider in this area is not known to have any significant issues
Customer Services	15	There were no significant risks from discussions raised and overall performance of the initial call centre staff is sound
Business Continuity and Disaster Recovery	20	We have reviews around Cyber and GDPR which will in part cover some of the risks in this area and given the available days in the Plan this was demoted
Car Parking	15	It is not considered as great a risk as other areas
Civil Claims	20	This review is the change in laws which means Council can pursue civil claims outside of courts and do it themselves. This was considered less of a risk than other reviews in the Plan
Unitary Status Work	25	We have not allowed for contingency for unitary work as until everything is finalised it was deemed inappropriate to allocate days
Facilities Management	15	Discussions as part of risk planning did not lead to significant concerns in this area and therefore it has been excluded



NORTHAMPTON BOROUGH COUNCIL

INTERNAL AUDIT CHARTER 2018-19

November 2018

PURPOSE OF THIS CHARTER

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Northampton Borough Council, and defines the scope of internal audit activities.

Final approval resides with the Board (through discussion with the Section 151 Officer), in practice the charter shall be reviewed and approved annually by management and by the Audit Committee on behalf of City Executive Board.

INTERNAL AUDIT'S MISSION

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

STANDARDS OF INTERNAL AUDIT PRACTICE

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

INTERNAL AUDIT DEFINITION AND ROLE

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit acts primarily to provide the Audit Committee and Section 151 Officer with information necessary for it to fulfil its own responsibilities and duties. The Section 151 Officers role is to ensure Council is compliant with the statutory requirements for internal audit as set out in the 1972 Local Government Act. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

INTERNAL AUDIT'S SCOPE

The scope of internal audit activities includes all activities conducted by Northampton Borough Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive (Head of Internal Audit) to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are

subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

EFFECTIVE INTERNAL AUDIT

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Northampton Borough Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

INDEPENDENCE AND INTERNAL AUDIT'S POSITION WITHIN NORTHAMPTON BOROUGH COUNCIL

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee. The Head of Internal Audit reports administratively to the Head of Financial Services (Section 151 Officer) who provides day-to-day oversight and is charged with ensuring the Council is compliant with statutory requirements for the internal audit function.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Northampton Borough Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Section 151 Officer and Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Section 151 Officer and Audit Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit Committee to discuss the implications.

INTERNAL AUDIT'S ROLE IN FRAUD, BRIBERY AND CORRUPTION

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspect a fraud, this will be referred to appropriate management in the first instance and then the audit committee.

ACCESS TO RECORDS AND CONFIDENTIALITY

There are no limitations to internal audit's right of access to Northampton Borough Council officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

COORDINATION AND RELIANCE WITH OTHER ASSURANCE PROVIDERS

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

INTERNAL AUDIT'S COMMITMENTS TO NORTHAMPTON BOROUGH COUNCIL

Internal audit commits to the following:

- working with management to improve risk management, controls and governance within the organisation
- performing work in accordance with PSIAS
- complying with the ethical requirements of PSIAS
- dealing in a professional manner with Northampton Borough Council staff, recognising their other commitments and pressures
- raising issues as they are identified, so there are no surprises and providing practical recommendations
- liaising with external audit and other regulators to maximise the assurance provided to Northampton Borough Council reporting honestly on performance against targets to the Section 151 Officer and Audit Committee.

INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

The tables on the right contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

As required by PSIAS an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Section 151 Officer and Audit Committee as part of the internal audit annual report, along with corrective action plans.

Table One: Performance measures for internal audit

Measure / Indicator
<p>Audit Coverage</p> <p>Annual Audit Plan delivered in line with timetable</p> <p>Actual days are in accordance with Annual Audit Plan</p>
<p>Relationships and customer satisfaction</p> <p>Customer satisfaction reports - overall score at least 70% for surveys issued at the end of each audit</p> <p>Annual survey to Audit Committee to achieve score of at least 70%</p>
<p>Staffing and Training</p> <p>At least 60% input from qualified staff</p>
<p>Audit Reporting</p> <p>Issuance of draft report within 3 weeks of fieldwork `closing` meeting</p> <p>Finalise internal audit report 1 week after management responses to report are received.</p>
<p>Audit Quality</p> <p>Positive result from any external review</p>

MANAGEMENT AND STAFF COMMITMENTS TO INTERNAL AUDIT

The management and staff of Northampton Borough Council commit to the following:

- providing unrestricted access to all of Northampton Borough Council's records, property, and personnel relevant to the performance of engagements
- responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- implementing agreed recommendations within the agreed timeframe
- being open to internal audit about risks and issues within the organisation
- not requesting any service from internal audit that impairs its independence / objectivity
- providing honest and constructive feedback on the performance of internal audit

Management and staff performance measures and indicators

The following three indicators are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Audit Committee progress report.

Table Two: Performance measures for management and staff

Measure / Indicator
Response to Reports Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt
Implementation of recommendations Audit sponsor to implement all audit recommendations within the agreed timeframe
Co-operation with internal audit Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff

BDO contacts

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FOR MORE INFORMATION:

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The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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