

**NORTHAMPTON BOROUGH COUNCIL
AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the
The Jeffrey Room, The Guildhall, St. Giles Square, Northampton, NN1
1DE
on Monday, 26 November 2018
at 6:00 pm.

**George Candler
Chief Executive**

AGENDA

1. APOLOGIES

Please contact Democratic Services on 01604 837722 or democratic_services@northampton.gov.uk when submitting apologies for absence.

2. MINUTES

3. DEPUTATIONS / PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

6. INTERNAL AUDIT PLAN PRESENTATION/PROGRESS UPDATE

7. UPDATE ON STATEMENT OF ACCOUNTS

8. EXTERNAL AUDIT UPDATE

9. GOVERNANCE REPORT UPDATE

10. TREASURY MANAGEMENT

(Verbal update)

11. ACCOUNTING POLICIES

(Verbal update)

12. RISK REVIEW AND BUDGET OPTIONS

(Verbal update)

13. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

“THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT.”

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Public Participation

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 3 September 2018

PRESENT: Mr Ian Orrell (Chair); Councillor Oldham (Deputy Chair); Councillors Oldham, M Markham, Golby, J Hill, Marriott, Stone and T Eales

1. APOLOGIES

There were none.

2. MINUTES

The Minutes of the meeting held on the 18th June 2018 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

There were none.

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

None

6. LGSS INTERNAL AUDIT UPDATE

The Audit and Risk Manager (LGSS) submitted a report which provided an update on the progress of the work undertaken since the last report was considered in June 2018. It was explained that focus was currently on the 2017-18 Plan, the 2018/19 Plan and Follow up Work, based on the agreed timescales for implementing audit recommendations reflected in the original audit report. It was explained that the approach to follow up work was to seek an update from designated responsible officer's alongside collating advice to support the implementation of actions.

Councillor Stone requested that a diagram of the roles and fields of internal and external auditors be brought to a future Audit Committee to which the Chief Finance Officer agreed to.

RESOLVED:

That the report be noted:

7. UPDATE ON STATEMENT OF ACCOUNTS 2016-17

The Chief Finance Officer elaborated on a report which provide the Committee on the Statement of Accounts for 2016/17. It was explained that there had been a number of issues arising from the draft set of accounts previously submitted to the Committee that had prevented the production and sign off of the accounts by the Audit Committee and External Auditor

In response to a question asked by the Chair, the S151 officer explained that without the 2016/17 accounts being signed off, many aspects of 2017/18 could not proceed.

The External Auditor explained that they had received a number of working papers for the SoA including the asset valuation report but that this could not be fully assessed until the relevant information had been inputted for 2016/17 accounts on the system.

A member of the Committee questioned whether there would be a significant risk to the 2017/18 accounts not being closed down. He was assured that the accounts would be closed down and it was anticipated that the fixed assets would soon be signed off.

The External Auditor commented that they were optimistic that the 2017/18 accounts would be completed and signed off smoothly as the asset value issues would have been resolved since the 2016/17 accounts.

The Chief Finance Officer, in response to questions asked, confirmed that it was possible for both the 2016/17 and 2018/18 accounts to be formerly signed off together.

It was noted that LGSS Finance, who delivered the full range of financial services to NBC had produced a summary explanation of the issues that they had faced and the subsequent actions taken, which was appended to the report. In response to questions asked, it was explained that the Borough Council bought in the service from LGSS Finance whose systems were out of synchronisation with each other. In response to additional questions asked, it was noted that LGSS would be undertaking a capacity review of staff and reported that there had been some unique issues with a number of agency workers who had left a knowledge gap when they had ceased their employment. It was noted that this was a high risk audit and as such, it was necessary for a more in-depth approach to be taken that had utilised a lot of additional resources.

Members asked for reassurances that LGSS Finance could provide the Council with a service that was fully resourced and it was explained that LGSS Finance believed that it had the expertise and could source further resources as required. The Chief Finance Officer explained that once the Statement of Accounts for both 2016/17 and 2017/18 had been signed off, options would be considered for alternative service providers, should assurances from LGSS Finance not be provided.

In response to questions asked by the Committee, it was explained that the Borough Council assets were valued individually by internal valuers and external commercial valuers, if there were to be a disposal, as it was essential that the Council could protect its assets and achieve value for money.

The Chief Finance Officer explained that it was anticipated that the 2018/19 accounts would be closed down rapidly and resource's would be focused and noted that it was not expected that the Statement of Accounts would not be fit for purpose by the time the Council moved to Unitary status.

The Chair requested an update of ongoing work being undertaken by LGSS Finance and the following update was given:

- The significant audit issues that had been faced had been cleared and close to being closed,
- RAM(assets system) consultants had trained staff on the new system
- Revenue aspects of the Audit had progressed well and once the 2016/17 accounts had been closed, the 2017/18 would progress with speed.

The Chair requested that once the Statement of Accounts were ready to be signed off, the

Audit Committee hold an Extraordinary meeting to ensure that they be signed off as soon as possible.

RESOLVED:

1. That the Committee noted the issues that gave rise to the delay in the production of the Statement of Accounts for 2016-17.
2. That the Committee noted that lessons had been learned and improvements made to the processes and data that would improve the production of the 2017-18 Statement of Accounts and subsequent years.

8. RISK BASED VERIFICATION (LGSS REVENUE & BENEFITS SERVICE)

The Service Delivery Manager (LGSS) submitted a report which sought to review the approach to verify claims for Housing Benefit and Council Tax Reduction and for approval of the Risk Based Verification (RBV) Policy.

Members of the Committee commented that they welcomed the report and noted that the early signs showed that it was speeding up the system. It was explained that it would be fairer system and that update and monitoring of the process would be bought back to the Committee.

RESOLVED:

That the Audit Committee approved the proposed Risk Based Verification Policy (appended to the report).

9. UPDATE ON APPOINTMENT OF INTERNAL AUDITORS

The Chief Finance Officer updated Members on the appointment of Internal Auditors. It was explained that PwC were no longer the Councils internal auditors and that the Council had awarded the contract to BDO.

RESOLVED:

That the Committee note BDO have been awarded the contract of internal auditors for the Council.

10. GOVERNANCE ACTION PLAN

The Governance and Risk Manager submitted a report which outlined and updated members on the progress made on implementing the Council's Governance Action Plan (GAP). It was noted that there were currently only 2 remaining actions that were incomplete and it was reported that staff were more aware of the governance arrangements and the processes that needed to be followed and therefore was considered no longer necessary to be presented at future meetings. The Chief Finance Officer explained that there had been issues that had been highlighted, acted upon and therefore there was no longer a need to review the plan constantly and that effective governance practises was bedding in well. It was noted that responsibility for the governance of contract management would be transferred to the Governance and Risk Manager.

The Committee discussed the Governance Action Plan and considered that it be necessary for some of the information to continue to be report to the Audit Committee. It was explained that the Corporate Risk Register would provide updates of some of the areas of concern and would act as a mechanism for continuity without the need for the GAP. It was further reported that the Annual Governance Statement would provide comprehensive information

on any potential governance risks.

RESOLVED:

1. That the Committee agreed that the Governance Action plan was no longer required to be presented at future Audit Committee meetings.
2. That the draft Annual Governance Statement Review be presented to the Committee every 6 months.

11. TREASURY MANAGEMENT POLICY AMENDMENT

The Chief Finance Officer submitted a report which sought a proposed amendment to Northampton Borough Council's Treasury Management policy. It was explained that the amendment would allow the Council resources to work harder and would provide an additional income stream and deliver value for money.

RESOLVED:

- 2.1 That the contents of the finance treasury management policy report be noted.
- 2.2 That Audit Committee recommend to Council the approval for the use of property investments, direct and indirect, to achieve improvements in Treasury yields, up to a maximum investment value of £16.000M.
- 2.3 That Audit Committee recommends Council to approve the delegated powers as set below:
 - a) To approve investments of up to £8.000M, in one or more indirect property funds and to delegate power to the Section 151 Officer, after consultation with the Portfolio Holder for Finance, and after receipt of advice from LAS with due regard to security and liquidity, to approve such investments subject to the limitation that funds to be invested in would be restricted to those that are already utilised by one or more other Local Authorities and offering in excess of 4% return/yield at the time that the investment is placed.
 - b) To approve the direct investment of up to £8.000M in commercial property for Treasury Yield purposes only, and to delegate authority to the Chief Executive, in consultation with the Section 151 Officer and the Head of Assets/Regeneration after consultation with the Leader and the Portfolio Holders for Finance and Assets to approve such acquisitions and disposals.

The meeting concluded at 7.38pm

Appendices: Nil



AUDIT COMMITTEE REPORT

Report Title	Internal Audit Programme - BDO
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	26 November 2018
Policy Document:	Yes
Directorate:	Chief Finance Officer
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To present Committee with the Internal Audit Programme to be delivered by our Internal Auditor, BDO.

2. Recommendations

- 2.1 To consider the contents of and accept this Internal Audit Plan and Audit Charter
- 2.2 To note that the Internal Audits themselves are behind the initial NBC plan, due to the process in changing Internal Auditors.

3. Issues and Choices

3.1 Report Background

- 3.1.1 NBC employs an external company to provide its core Internal Audit function, this was previously PWC, during 2018-19 a procurement exercise was undertaken and BDO were selected as our new partner, this exercise did cause some delay in the start of the 2018-19 Internal Audit Process.
- 3.1.2 BDO have through their plan highlighted that they still intend to complete a full and complete programme of Internal Audits within the Financial Year.

3.2 Choices (Options)

- 3.2.1 The Council must deliver a credible and professional Internal Audit Function to demonstrate good governance, that controls are in place to protect public funds and ensure they are used so as to deliver Value for Money.
- 3.2.2 The Audit Committee has the choice of accepting this plan and programme or to seeking to amend it.
- 3.2.3 The Audit Committee may approve or reject the Audit Charter in addition to the Audit Plan.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The policy implications are contained in the body of the report and the BDO documentation.

4.2 Resources and Risk

- 4.2.1 There are no additional risks/implications, there is budget for the delivery of the Internal Audit service.

4.3 Legal

- 4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

- 4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

- 4.5.1 None.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 Internal Audit provides assurance to the Management, Elected Members and public.

4.7 Other Implications

- 4.7.1 None identified.

5. Background Papers

None

Stuart McGregor
Chief Finance Officer



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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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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Appendices:
1. Governance Action Plan



AUDIT COMMITTEE REPORT

Report Title	Progress Update on Statement of Accounts 2016-17
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 26 November 2018

Policy Document: Statement of Accounts

Directorate: Chief Finance Officer

Accountable Cabinet Member: Cllr Brandon Eldred

1. Purpose

1.1.1 This report provides an update on the Statement of Accounts for 2016-17 and the issues that have caused the delay in production and sign-off.

2. Recommendations

2.1 That the Committee note the issues that have given rise to the delay in the production of the Statement of Accounts for 2016-17.

2.2 That the Committee notes that the progress made and the revised timetable for the production and signing off of the Statement of Accounts for 2016-17.

3. Issues and Choices

3.1 Report Background

The Audit Committee received a draft set of accounts for the Financial Year (FY) 2016-17 at its meeting in September 2017. Since then there have been a number of issues arising that have prevented the production of final Accounts and formal sign off by both the Audit Committee and External Auditor.

An update on progress was provided to the Audit Committee on 3 September 2018, which had anticipated the accounts being completed and submitted to this meeting.

3.2 SoA 2016-17 update:

- 3.2.1 An agreed statement/position outlining progress and the current position, along with a revised timetable is attached as an appendix to this report.
- 3.2.2 The document, which has been produced by our partner LGSS Finance, in conjunction with KPMG, our Auditor, outlines the issues that have led to the further delays in producing final accounts for 2016-17.

3.3 Improvement areas

There have been a number of improvements as a result of all of the issues around 2016-17, which should lead to a faster, cleaner closedown for 2017-18, which is still intended to be actioned and completed early 2019.

3.4 Conclusions

- 3.4.1 The continued delay in producing the Statutory Statement of Accounts for 2016-17 is not helpful. It is important to provide assurance to the residents and stakeholders that the issue is not around the management of finances, the funding of services and has no impact on current budgets or plans. The issues ultimately are around the presentation of information in a form required by Cipfa and Government. The auditor has highlighted that valuation changes are 'material in value' these are now historic and have in reality been superseded.
- 3.4.2 The issues that have arisen have tested staff within LGSS Finance and relationships between NBC (as the accountable body), LGSS (as its provider of financial services) and KPMG (External Auditor).
- 3.4.3 It is clear there is no single factor that can be identified as the root cause of the problem, but a constant flow of what would individually have been minor issues has, in this 'high risk' audit environment led to cumulative problems and system weaknesses.
- 3.4.4 The improvements and lessons learned will be demonstrated during the process of closing a down and producing the SoA 2017-18, which is due to commence immediately after the SoA2016-17 is finalised.
- 3.4.5 The failure to deliver the Accounts for review and sign off at this Committee is regrettable. The NBC Management Board continue to be frustrated and trust from the statement provided that the end to this exercise is within sight.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications from this report.

4.2 Resources and Risk

4.2.1 The continued exercise to deliver final and audited accounts has had a resource consumption impact on the resources intended to support NBC in year and with 2017-18 accounts. Additional costs have and continue to be incurred as a result of additional work by KPMG.

4.2.2 Previously we highlighted staff churn has been an issue, this continues to be the case. LGSS Finance has launched a recruitment campaign using CIPFA Penna to bring in staff with the required technical expertise to deliver the accounts for 2017/18 and also 2018/19. There is likely to be the need to make use of agency staff during the period until the permanent appointments are able to start in post

4.3 Legal

4.3.1 No specific legal aspects.

4.4 Equality

4.4.1 There are no specific equality implications from this report

4.5 Consultees (Internal and External)

4.5.1 Internal consultation has taken place with, LGSS finance, and External Audit.

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 Various previous Audit Committee agenda packs

Stuart McGregor, Chief Finance Officer

Progress towards completing the delivery of the statutory accounts of Northampton Borough Council for the financial year 2016/17

26 November 2018

LGSS Integrated Finance Service

1. Introduction

- 1.1 This report provides an update to that presented to the Audit Committee in September, where the detail behind the causes of delay to the 2016/17 NBC Statement of Accounts was presented. This report, which has again been prepared following discussions with KPMG, outlines the current situation as both the LGSS Finance and Audit teams work to finalise the 2016/17 Statement of Accounts.
- 1.2 Given the remaining work involved, at the September Audit Committee the expectation was that the final accounts would be presented to the Audit Committee at a specially convened meeting that was likely to be in December. The main reasons for the slippage in this expected timeframe are due to:
 - The complexity and volume of changes to the accounts and making sure these are correct in the final Statement which has taken longer than expected before sharing with KPMG;
 - The iterative nature of some aspects of the changes and working papers with follow up audit queries being raised by KPMG requiring a response; and
 - The completion of the final bridging working paper requiring additional information in some areas to more fully explain movements between the versions of accounts.
- 1.2 Based on the final processes that need to be undertaken to complete the audit the latest expectation is that the 2016/17 accounts will be finalised with the audit opinion by mid January.
- 1.3 The following sections of this report provide commentary from the NBC / LGSS perspective on each of the main issues that remain to be completed in order to finalise and sign off the 2016/17 accounts and the reasons why the expected timeframe has slipped to mid January for completion.

2. The Statement of Accounts document

- 2.1 Since the September Audit Committee work has progressed with the final audit requirements at the time of writing having been provided to KPMG. The key deliverables that have been provided to KPMG since the last Audit Committee as set out below:
 - a. The complete, updated Statement has been provided to KPMG. This takes account of all corrections required by the tasks noted in September, including changes in commercial property and social housing valuations, as well as casting changes needed to ensure the rounding of numbers is presented appropriately.
 - b. The Statement is supported by revised working papers, allowing the Auditor to review the source of figures included.
 - c. As requested, a reconciliation between the various financial statements and the Council's financial system has also been completed and presented to the Auditor.
 - d. Finally, an analysis of the changes between this version and that presented to the Audit Committee in September 2017 has also been delivered.

2.2 The final audit processes on the 2016/17 Statement are underway to review and confirm that the necessary changes have been made to the financial statements. This process may lead to further audit queries, which will be responded to as they arise. Once all final audit queries are resolved and the KPMG audit team are content with the 2016/17 Statement and the changes, KPMG will then commence their completion checks as part of the final review process. As NBC is a high risk audit this will take a minimum of 4 weeks for KPMG to review, as this requires multiple levels of review not only by the audit team (Senior Manager and Director), but also by an independent EQCR (Engagement Quality Control Reviewer) Partner.

3. Fixed Asset Valuations – General

3.1 As noted in September, all necessary revaluations of commercial properties have been completed, with the consequent changes applied to the Statement of Accounts. A series of queries have been received, as the Audit team seek to finalise their work, and responses have been provided in all cases.

4. Fixed Asset Valuations – Council Dwellings.

4.1 This was the last area to be finalised and all valuation reports, accounting statements and working papers have been delivered for audit. This work was facilitated through uploading all necessary changes into the Council's fixed asset system and, although this was a lengthy task, the resulting output provides assurance of completeness and accuracy. Again, queries have been received and answers provided.

5. Timetable

5.1 Although a number of queries have been received and responses provided, the work required to finalise the audit will commence at the end November. This should allow the 2016/17 Statement of Accounts and audit file to be passed for review as noted in 2.2 with the delivery of the audit opinion by mid January.

5.2 In order to enable the 2016/17 accounts to be amended as swiftly as possible, the Audit Committee is asked to consider the recommendation that:

- a) A special December Audit Committee meeting be called to present the Final 2016/17 Statement of Accounts and the changes that have been made. At this point the audit is expected to be substantively complete, although the review process would still be ongoing.
- b) At the December Audit Committee, subject to discussion of the final Statement, consider whether the Committee delegate the actual signing of the accounts to the S151 Officer and the Chair of the Audit Committee provided there are no significant changes required or challenges arising from the KPMG review process.
- c) In mid January (if approved by the Audit Committee) the S151 Officer and the Chair of the Audit Committee sign the accounts to facilitate the signing and issuing of the Audit Opinion by KPMG which will conclude the audit.

6. 2017/18 Accounts

6.1 Work continues on the readiness for the 2017/18 accounts and the planned date for the audit in January remains unchanged. The LGSS Integrated Finance team and the LGSS Business Partner Finance teams are now able to begin work on the remaining audit requirements and production of the 2017/18 statement of accounts. Where possible some areas of the accounts are being audited early such as the approach to valuations.

Appendices

1: KPMG External Audit 2017/18 Plan



AUDIT COMMITTEE REPORT

Report Title	External Audit (KPMG) 2017/18 Plan
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	26 th November 2018
Policy Document:	No
Directorate:	Chief Finance Officer
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To inform the Audit Committee on the external audit plan for the audit of the 2017/18 accounts.

2. Recommendations

- 2.1 It is recommended that the Audit Committee note the external audit plan for the audit of the 2017/18 accounts.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The external auditors KPMG provide an annual audit plan on their proposals and timeframes for auditing the council's accounts. This includes details of specific areas they intend to focus on, indications of when they intend to report back to the council, and their fee levels.

3.2 Choices (Options)

- 3.2.1 The report is just for noting, however Audit Committee have the opportunity to ask questions directly to the auditors on anything contained in their report, and issues around the external audit process. They also have the opportunity to question management on any of the issues raised.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 None.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

Stuart McGregor
Chief Finance Officer



External Audit 2016/17 Update Report

Northampton Borough Council

November 2018

kpmg.com/uk



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Cardoza, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Overview and summary

Since the last Audit Committee we have continued our work in respect of the audit of the 2016/17 financial statements.

The Authority has worked hard to reduce the number of outstanding queries and resolve risk areas. However, due to the delays in receiving this information against previously agreed timelines, we are not yet in a position to finalise our work and issue our audit opinion.

We expect to finalise our work over the next month with a view to issuing our updated ISA260 in January 2019 and issuing our audit opinion.

Summary for Audit Committee

Since the last Audit Committee we have continued our work in respect of the audit of the 2016/17 financial statements.

The Authority has worked hard to reduce the number of outstanding queries and resolve risk areas. However, due to the delays in receiving this information against previously agreed timelines, we are not yet in a position to finalise our work and issue our audit opinion.

We expect to finalise our work over the next month with a view to issuing our updated ISA260 in January 2019 and issuing our audit opinion.

Financial statements

Accounts production process and audit completion

At the time of our last update, we reported there were a significant number of outstanding queries which needed to be resolved in order for our 2016/17 audit to progress. Work was on-going on those matters and it was expected that we would receive all the information we required to perform our final testing by the end of September 2018.

At this point, we had jointly agreed with the Authority to postpone the audit of the 2017/18 financial statements due to the on-going 2016/17 delays, and the revised plan was for the 2017/18 audit to take place in October 2018.

However, following delays, it was agreed that we would utilise this 2017/18 audit resource to complete the audit work on the 2016/17 audit instead.

Unfortunately, the Authority did not deliver the remaining outstanding items in line with the agreed revised timetable. As a result of this, the resource we had booked for the first two weeks in October to close off these queries, was unable to be utilised to its full extent.

Whilst the audit team have been working evenings and weekends to pick-up the remaining information as soon as it has come through, the significant further delays have had a knock-on effect to the completion of our work.

Fixed Asset Valuations – Council Dwellings: As previously reported, the Authority was undertaking actions to correct the valuation of council dwellings due to the errors, including use of an incorrect methodology, which had resulted in materially incorrect valuations. Following finalisation of the valuations, the Authority needed to correct these in their RAM (Real Asset Management) System.

Due to the nature of the system, we were informed that significant work was required by a technical specialist to put these changes through the system and update it in line with current software versions. This work was commissioned on 2 August 2018 with the expectation it would take a few weeks to complete. The work took longer than expected and was only completed during September 2018. This has had a knock-on effect on our ability to close off this area from an audit perspective.

As a result of the updates to the system, we have had to undertake further testing on RAM in order to provide assurance over the reports it generates which are used for the production of the financial statements.

We have now received the final information and answers to our queries and this work is complete, subject to our review process.

Summary for Audit Committee

Since the last Audit Committee we have continued our work in respect of the audit of the 2016/17 financial statements.

The Authority has worked hard to reduce the number of outstanding queries and resolve risk areas. However, due to the delays in receiving this information against previously agreed timelines, we are not yet in a position to finalise our work and issue our audit opinion.

We expect to finalise our work over the next month with a view to issuing our updated ISA260 in January 2019 and issuing our audit opinion.

Financial statements

Fixed Asset Valuations – General: We have now received the final information required with regards to this audit area, and our work is on-going and will be subject to our internal review processes.

Mapping of the Trial Balance: As previously reported, following meeting with the Authority's officers on 12 July 2018, it was agreed that a revised version of the 2016/17 trial balance mapping document would be produced for audit purposes. This was finally provided to us w/c 29 October 2018.

Our work is on-going and will be subject to our internal review processes.

Draft Accounts: In October, we were provided with a revised set of accounts following their adjustment for all the previously identified audit adjustments, most especially those relating to the valuation of council dwellings.

We reviewed this set of accounts and provided feedback to the Authority in respect of its internal consistency, casting, and updated notes.

We are awaiting a revised version of the 2016/17 accounts, and will perform similar checks on this prior to concluding our work. This will complete the work in this area, subject to our review processes.

Accounts Reconciliation: As reported previously, an essential part of the completion of the accounts is a reconciliation between the draft version of the financial statements (presented to Audit Committee in June 2017) and the final version to be presented to Audit Committee for approval.

We received a version of this reconciliation during the week of 29 October 2018, however, this was not sufficient for our audit purposes as it did not provide the level of detail we had previously requested. We are awaiting a final version of this document to resolve this outstanding item.

As such, our audit work is on-going in this area and will be subject to our internal review processes.

Working Papers: There are various other working papers which were required from the Authority to be updated due to the changes to the financial statements following agreement of audit adjustments. Whilst relatively minor in the scheme of things, they are nevertheless critical evidence required for our audit to allow us to complete our procedures and be in a position to sign our audit opinion.

We did receive a number of these through the week of 29 October 2018, and are working through this. Our work is on-going in this area and will also be subject to our internal review processes.

Summary for Audit Committee

Since the last Audit Committee we have continued our work in respect of the audit of the 2016/17 financial statements.

The Authority has worked hard to reduce the number of outstanding queries and resolve risk areas. However, due to the delays in receiving this information against previously agreed timelines, we are not yet in a position to finalise our work and issue our audit opinion.

We expect to finalise our work over the next month with a view to issuing our updated ISA260 in January 2019 and issuing our audit opinion.

Financial statements

Audit Completion: As noted above, in agreement with the Authority, we had allocated additional resource for the first two weeks of October 2018 in order to complete the testing required and finalise the audit.

Unfortunately due to the non-delivery of the key remaining items during this period, this has had a knock-on effect on the expected timeline for completion, as the audit team also have other commitments.

We had previously agreed with the Authority that we would not indefinitely hold resource for use on the 2016/17 audit, as this would incur additional significant costs for the audit which would be unavoidable if we did that.

However, due to these delays (for example, the accounts reconciliation document is still outstanding at the date of this report), this has impacted the audit completion timetable.

Whilst members of our audit team have been working evenings and weekends in an effort to mitigate the delays in provision of information, this can only get us so far when many of the key outstanding items were only delivered during the week of 29 October 2018.

Should we receive everything we still need, and there are timely responses to our queries, then we expect that our final audit work on the accounts will be completed during the first few weeks of December 2018.

On completion of our audit work and the full and satisfactory resolution of any audit queries, we anticipate that we should be able to produce our revised 2016/17 ISA260 report, and we will also be able to then commence our final internal review processes.

Due to the high risk nature of the audit, these processes will take a minimum of four weeks. Once all this is complete, we will then be in a position to issue our 2016/17 audit opinion and complete the audit.

As a result of the Christmas holidays, it is expected that this will take place in mid-late January 2019.



This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointments's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Cardoza, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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External Audit Plan 2017/2018

**Northampton
Borough Council**

November 2018

Summary for Audit Committee

There are a number of challenges facing Northampton Borough Council (the “Authority” or “Council” or “NBC”), and this document sets out our assessment of risks which we consider relevant to the audit of the Authority’s financial statements.

We also articulate risks which we have identified as part of your Value for Money (VFM) opinion, and explain how we intend to address these identified risks.

Our risk assessment takes into account the cumulative knowledge gained from the work which we have carried out as your external auditor over the past few years. This includes the adverse VFM conclusion which we issued in 2015/16 and the indicative adverse VFM conclusion for 2016/17.

The risk assessment is a continuous process, and we will update our audit plan and identified risks throughout the engagement in response to new developments at the Authority. In particular, we will take into account any further information arising from our work on the Authority’s 2017/18 accounts and reports by external parties on the Authority’s efforts to recoup lost monies in relation to the Northampton Town Football Club (NFTC) loan.

This audit plan would normally have been presented to the Audit Committee following our initial planning stages in January 2018. However, due to the on-going delays in the finalisation of the 2016/17 financial statements and completion of that audit, our work on the 2017/18 audit has been delayed as a result. As our work in respect of 2016/17 concludes, our materiality and risk assessment will be continually reviewed in light of our findings.

Summary for Audit Committee (cont.)

Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017.

With the delays experienced during the 2016/17 audit and with the audit not being completed as at July 2018, it was agreed the earlier deadline for 2017/18 would not be met. As such, an updated deadline of January 2019 has now been agreed.

Materiality

Materiality for planning purposes has been set at £1.3 million.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £65,000.

Significant risks

We have completed our initial risk assessment. As this plan has been produced prior to the completion of the 2016/17 audit, we will revisit this assessment following conclusion of that audit. Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- **Valuation of Council Dwellings** – During 2016/17 audit, the Authority's external valuers valued Council Dwellings at a higher-than-expected value due to using the incorrect Social Housing discount factor (EUV-SH) for Northamptonshire. The difference in factors resulted in the Authority understating its Council Dwellings by £121.7 million. As a result of this, for 2017/18 Audit Council Dwellings is a separate significant risk.
- **Valuation of Other Land and Buildings** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated. During 2016/17 audit, we found the internal valuers did not have the capacity to complete a full valuation and that no formal written instructions were provided to the external valuers. In addition, there were issues found with the valuations provided by the valuers causing another external valuer to be involved.
- **Valuation of Investment Properties** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated. In prior year, we found there were issues in the valuation report received from Underwoods, the external valuer.
- **Pension Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.

Summary for Audit Committee (cont.)

Value for Money Arrangements work

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks to date:

- Delivery of Budgets;
- Governance Action Plan;
- NTFC loan and the wider loans system;
- Financial resilience in the local and national economy;
- Off-payroll working through an intermediary (IR35);
- Chief Executive Payment; and
- Contracts management

See pages 12 to 20 for more details

Logistics

Our team is:

- Andrew Cardoza – Director
- Daniel Hayward – Senior Manager
- Katie Scott – Manager
- Clementine Macliver – In-Charge

More details are in **Appendix 2**.

Our work will be completed in four phases and our key deliverables are this Audit Plan, an Interim Report and a Report to Those Charged With Governance as outlined on **page 23**.

Our scale fee for the 2017/18 audit is £80,775 see **page 22**. Our scale fee for 2016/17 was £80,775 although we have raised fee variations with the Authority which need to be approved by the PSAA. At the date of this report, additional fee for the 2016/17 audit was £150k.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

Our audit has two key objectives, requiring us to audit/review and report on your:

- 01 | Financial statements :**
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and
- 02 | Use of resources:**
Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. Any change to our identified risks will be reported to the Audit Committee.

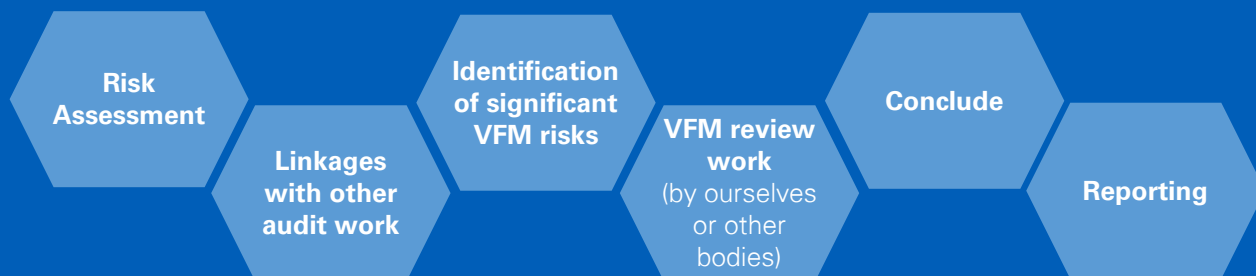
Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements work follows a five stage process which is identified below. Page 12 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our VFM risk assessment.



Financial statements audit planning

Financial Statements Audit Planning

We have completed our audit planning work for the year, which involved the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use of experts; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Auditing standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

01

Management override of controls

Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

02

Fraudulent revenue recognition

We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Significant Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk 1:

Valuation of Council Dwellings

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.

This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. The Authority has an extensive property portfolio which requires valuation on a regular basis to reflect the service potential of these assets.

The valuation of council dwellings is a complex exercise which involves professional judgement of qualified valuation experts. There are significant estimates and judgements used by the Authority's valuer, and the valuation results are highly sensitive to these estimates and judgements. The valuation exercise is also linked to the estimates in relation to the useful economic lives of the buildings within the Authority's portfolio.

In 2015/16, the Authority's PPE totalled £548.9 million, which includes £421.8 million of council dwellings. The Authority experienced significant difficulty in the valuation process for council dwellings in 2016/17. We found that the Authority had used the incorrect social housing discount factor on two occasions, and a beacon review indicated that a small number of beacons were not representative of the Authority's housing stock.

In 2016/17, the Authority engaged with three separate valuers on council dwellings: its internal valuers who performed the initial valuation; Underwoods to review the use of "appropriateness of beacons"; and Bruton Knowles who performed the final valuation.

In concluding the on-going 2016/17 audit, we expect the final audited financial statements to include material audit adjustments. These arose from multiple incorrect iterations of valuer reports, all of which resulted in significant delays to the Authority's financial statements, which meant missing the statutory deadline by more than 10 months. There remains a risk that the Authority's council dwellings may be materially misstated due to incorrect processes and a lack of quality control over inputs into the financial statements.

Approach

We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are not materially misstated and we will consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year.

We will undertake an assessment of the Authority's external valuer, Bruton Knowles. This will include a review of the valuer's approach, for consistency with the Authority's instructions and requirements, and assumptions made by the valuer that they are in line with local circumstances and market conditions. We have engaged our internal KPMG valuation specialist to undertake this work. Our work will also involve substantively testing inputs provided and agreeing valuation outputs to the fixed asset register.

We will consider movement in market indices between revaluation dates and year end to determine whether these indicate fair values have moved materially over that time.

In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).

Significant Risks

Risk 2:

Valuation of Other Land and Buildings

During the course of the 2016/17 audit, we identified that the valuation of 'other land and buildings' is a significant audit risk. The Authority had engaged the following valuers to carry out work on both other land and buildings and investment properties:

- internal valuers on 26 September 2016;
- Underwoods on 6 October 2016; and
- GVA in December 2017.

The engagement of Underwoods was due to the capacity constraints within the Estates team, with internal valuers leaving the Authority. From September 2017 there are no valuation specialists remaining with the Authority, creating a gap in both capacity and capability.

This was heightened by the departure of a key member of the Closedown team, which gave us concerns over continuity and on the oversight of the valuation process.

We found there were no formal instructions sent to Underwoods therefore we were not able to confirm that Underwoods had complied with the valuation request, or that the Authority had instructed Underwoods in line with the Code requirements and other applicable valuation and accounting standards.

GVA have been engaged to complete valuations for the 2017/18 year for both 'other land and buildings' and 'investment properties', following KPMG's approval of their methodology. However, there remains a risk that incomplete or inaccurate information is sent to the valuers to inform their revaluation (e.g classifications), and therefore incorrect methodologies are applied.

Likewise there remains a risk that the Authority's assets maybe materially misstated due to incorrect processes and a lack of quality control and review over inputs into the financial statements.

Approach

We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are not materially misstated and we will consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year.

We will undertake an assessment of the Authority's external valuer, GVA. This will include a review of the valuer's approach, for consistency with the Authority's instructions and requirements, and assumptions made by the valuer that they are in line with local circumstances and market conditions. We have engaged our internal KPMG valuation specialist to undertake this work. Our work will also involve substantively testing inputs provided and agreeing valuation outputs to the fixed asset register.

We will consider movement in market indices between revaluation dates and year end to determine whether these indicate fair values have moved materially over that time.

In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).

We will also review that all assets reclassified to 'surplus assets' or 'assets held for sale' during the year have been valued and that valuations have been transacted appropriately on the Authority's balance sheet.

Significant Risks

Risk 3:

Valuation of Investment Properties

The Authority has a portfolio of investment property, the full portfolio of which requires valuation on an annual basis. Our work in 2016/17 identified that the assumptions and methodology used were not in line with RICS guidance and standard industry practice. For example, the Authority's valuers had included purchaser's costs within the value of the property, thus overstating the assets that were valued. We also noted that not all assets which were valued were transacted within the fixed asset register. Material adjustments were required.

GVA will carry out the 2017/18 valuations.

There is a risk that that incomplete or inaccurate information is sent to the valuers to inform their revaluation, and that the Authority's assets maybe materially misstated due to incorrect processes and a lack of quality control and review over inputs into the financial statements.

Approach

We will undertake an assessment of the Authority's external valuer, GVA. This will include a review of the valuer's approach, for consistency with the Authority's instructions and requirements, and assumptions made by the valuer that they are in line with local circumstances and market conditions. We have engaged our internal KPMG valuation specialist to undertake this work. Our work will also involve substantively testing inputs provided and agreeing valuation outputs to the fixed asset register.

Significant Risks

Risk 4:

Pension Liabilities

The net pension balance represents a material element of the Authority's balance sheet. The Authority is an admitted body of Northamptonshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension balance accounted for in the financial statements.

Approach

As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Hymans Robertson.

We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG Actuary. We will review the methodology applied in the valuation by Hymans Robertson.

In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.

Due to the delays in the audit of the 2017/18 financial statements, we will ensure that where available, actual figures are now being used to inform calculations, rather than estimates which may have been provided previously due to the faster closer timetable required for local authority accounts during the year.

Financial statements audit planning (cont.)

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority, materiality for planning purposes has been set at £1.3 million which equates to 0.5% percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

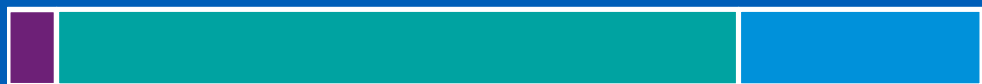
Prior Year Gross Expenditure: ££260.8m (2016/17: £238.2m)

Materiality

£1.3m

0.5% of Expenditure

(2016/17: £1.5m, 0.6%)



£65,000

Misstatements reported to the audit committee (2016/17: £75,000)

£845,000

Procedures designed to detect individual errors (2016/17: £1.1m)

£1.3m

Materiality for the financial statements as a whole (2016/17: £1.5m)

Financial statements audit planning (cont.)

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £65,000.

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

We will report:



Non-Trivial corrected audit misstatements



Non-trivial uncorrected audit misstatements



Errors and omissions in disclosure
(Corrected and uncorrected)

Value for money arrangements work

VFM audit approach

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Overall criterion

In 2016/17 we issued a qualified value for money opinion due to concluding that the Authority had not made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



Value for money arrangements work (cont.)

Value for Money sub-criterion

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)

VFM audit stage



VFM audit risk assessment

Audit approach

We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*.

In doing so we consider:

- The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;
- Information from the Public Sector Auditor Appointments Limited VFM profile tool;
- Evidence gained from previous audit work, including the response to that work; and
- The work of other inspectorates and review agencies.



Linkages with financial statements and other audit work

Audit approach

There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.

We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.



Identification of significant risks

Audit approach

The Code identifies a matter as significant '*if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*'

If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Authority, inspectorates and other review agencies; and
- Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)

VFM audit stage



Assessment of work by other review agencies, and Delivery of local risk based work

Audit approach

Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:

- Additional meetings with senior managers across the Authority;
- Review of specific related minutes and internal reports;
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



Concluding on VFM arrangements

Audit approach

At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.



Reporting

Audit approach

On the following page, we report the results of our initial risk assessment.

We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake.

The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

Value for money arrangements work (cont.)

Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Risk 1:

Governance Action Plan

The Authority's internal auditors, PwC, issued a report in December 2016 on the Authority's Risk Management Policy and framework and to advise the Council on best practice. This was in response to the Northampton Town Football Club (NTFC) loan loss, totalling £12.2 million to date. In response to the PwC report, the Authority developed a Governance Action Plan. This is a fundamental document which contains all 11 recommendations made within PwC's report. There is a risk that issues and recommendations made within the report are not fully actioned and implemented by the Authority.

In 2016/17 we obtained the Authority's Governance Action Plan and reviewed reported progress against this Plan. We have documented how the Authority measures and evaluates performance against each action, and assess this against supporting documentation. As of 31 August 2017, the Authority recorded that 22 actions had been implemented (46%), whilst 21 had been partially implemented (44%) and a further 4 (8%) not implemented, and 1 (2%) to be confirmed.

Whilst we recognise that many of these actions have not yet passed their due date, in reviewing the arrangements in place during the 2016/17 financial year, it is clear that during this period there was an insufficiently systematic, robust, and objective governance process, and framework in place at the Authority.

Approach

We will obtain the Authority's Governance Action Plan and review reported progress against this plan. We will document how the Authority measures and evaluates performance against each action, and assess this against supporting documentation. We will also assess whether any gaps in control / governance remain which would impact our VFM conclusion.

VFM sub-criterion

This risk is related to the following Value For Money sub-criteria:

- Informed decision-making;

Value for money arrangements work (cont.)

Risk 2:

NTFC loan and the wider loans system

In 2015/16, we issued an adverse conclusion on the Authority's arrangements to secure value for money. We were not satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to loans is adequate. A recommendation was raised during our 2016/17 audit regarding the controls and processes for issuing loans, due to finding that there is no systematic formalised system of recording or documenting the due diligence process, or results from the loan approval process. In addition, we came to the conclusion the accountability and decision-making process is not sufficiently robust. Subsequent to the loss of £10.22 million, the Authority has approved up to £950,000 to be spent on recovering the lost monies.

Approach

Our work will focus on how the Authority has achieved value for money in relation to the additional funds spent on recovering the loan. We will consider actions taken to date on the recovery of the lost monies to NTFC.

Our work will also consider the Authority's wider arrangements in monitoring the repayments of Authority-issued loans and the process in which the Authority captures potential loan issues. We will link this with our work on the Authority's financial statements.

VFM sub-criterion

This risk is related to the following Value For Money sub-criteria:

- Informed decision-making;
- Sustainable resource deployment; and
- Working with partners and third parties

Value for money arrangements work (cont.)

Risk 3:

Financial resilience in the local and national economy

Like most of local government, Northampton Borough Council faces a challenging future driven by funding reductions and an increase in demand for services. At a local level, this is compounded by the County Council's financial difficulties.

For 2017/18, the Authority set a net budget of £29.1 million, which includes the requirement to achieve £2.8 million of savings during the financial year, being a mixture of additional income generation (£683k) and reduced expenditure from general efficiencies (£1.6 million), economic growth (£172k) and other technical savings including debt financing (£282k).

Over the subsequent years, the Authority has set an overall net budget requirement which increases from £29.1 million in 2017/18 to £32.5 million in 2021/22.

Feeding into the budget, the Authority has assumed a decrease in Revenue Support Grant from Central Government from £1.8 million next financial year to zero funding from 2019/20 onwards. Additionally funding from the New Homes Bonus reduces from £4.2 million in 2017/18 to £2.1 million by 2021/22. However, it is worth noting that the Authority has budgeted based on the assumption that funding from the Business Rates Retention Scheme will continue to increase during the period, from £7.6 million to £8.1 million by the end of the Medium Term Financial Plan. There is a risk attached to this due to the uncertainty provided by Central Government as to how this scheme will operate going forward and the Authority needs to ensure that budgeted assumptions are based on the latest information available to them and updated accordingly as the future of the Scheme is debated.

The financial pressure on the Authority is therefore likely to increase over the coming years and it is imperative that work continues to identify savings well in advance of the most difficult periods within the Medium Term Financial Plan, most especially savings which may require initial investment and a longer lead time to realise their benefits. The Authority has a positive track record of delivering savings, but this will only get more difficult. The Medium Term Financial Plan only detailed savings predicted up until 2020/21, and over this period a total of £7.5 million have been included in the budgets, although the Authority has set far higher targets of £21.9 million. This leaves unidentified savings of £14.4 million from 2018/19 onwards.

Approach

We will review the process for the Authority setting cost saving plans for 2017/18 and for future years. This will include understanding the processes behind designing cost saving proposals, the due diligence undertaken in calculating predicted savings as well as understand the associated risks of delivery, alongside the linked financial governance processes including in-year monitoring and reporting of individual projects.

We will also review the Authority's retrospective review of cost saving plans, to ensure that where partial or non-delivery occurs, lessons are learnt to ensure that future saving plans are more robustly constructed, or that risks are more clearly identified, articulated and / or mitigated at an earlier stage.

VFM sub-criterion

This risk is related to the following Value For Money sub-criteria:

- Informed decision-making;
- Sustainable resource deployment; and
- Working with partners and third parties

Value for money arrangements work (cont.)

Risk 4:

Off-payroll working through an intermediary (IR35)

Following the Finance Bill 2017, the Government introduced revised legislation relating to off-payroll working in the public sector. The measure applies to payments made on or after 6 April 2017, but also applies to contracts entered into before that date.

The off-payroll working rules are in place to make sure that, where an individual would have been an employee if they were providing their services directly, they pay broadly the same tax and National Insurance contributions (NICs) as an employee.

- Public Sector authorities will be responsible for identifying and reviewing the employment status of all workers engaged through personal service intermediaries (referred to throughout as Personal Service Companies("PSC")) including those provided via an agency.
- Where, in the absence of the PSC, the worker is deemed to be an employee of the Public Sector Council, it, (or the agency) is required to calculate the deemed payment being made to the worker.
- Account for PAYE and National Insurance (employee and employer) to HMRC on the deemed payment.
- Financial sanctions will be applied where the legislation is not applied or applied incorrectly e.g. where employment status is incorrectly determined HMRC will collect any underpaid tax and NIC from the Public Sector Council.

HMRC is committed to enforcing the new rules and has set up an employment status and intermediaries team to review the arrangements.

Approach

As part of our approach, we will review the policies and procedures put in place by the Authority in order to ensure compliance with IR35 legislation.

In particular we will review the process for identifying potential Personal Service Companies during the procurement and contracting stage with new suppliers, as well as the retrospective review of arrangements in place before 6 April 2017.

We will especially review arrangements where an individual was engaged via a Personal Service Company after previously having been directly employed by the Authority, and the value for money considerations taken into account and evidenced during this process.

Where identified, we will review a sample of current and historical arrangements to ensure relevant tax and legal considerations were appropriately undertaken, alongside value for money considerations relating to the nature of the engagement.

We will also review the on-going monitoring, reporting and oversight of these arrangements by the Authority to ensure regulatory compliance.

VFM sub-criterion

This risk is related to the following Value For Money sub-criterion:

- Working with partners and third parties

Value for money arrangements work (cont.)

Risk 5:

Chief Executive payment

The Authority's previous Chief Executive departed the organisation in July 2017. The Chief Executive also acts in a statutory role as the Head of Paid Service. There is a risk that the terms and conditions of the departure, including any exit package, did not provide value for money to the Authority.

Approach

We will review the circumstances surrounding the departure of the Chief Executive in July 2017. We will review any payments made to the Chief Executive on leaving the Authority, and associated documentation in order to ensure that appropriate procedures and governance arrangements were followed (including compliance with legislation) to ensure effective arrangements were in place to achieve value for money.

We will also review the process put in place by the Authority following the Chief Executive's departure to ensure that statutory roles (including the Section 151 Officer) were appropriately filled during any gap in appointment.

As part of our standard audit approach, we will also review exit packages for other staff leaving the Authority in the year, including those made through redundancy or early retirement.

We will also review the disclosures and related narrative provided in the financial statements by the Authority in order to ensure they are appropriate and compliant with guidance

VFM sub-criterion

This risk is related to the following Value For Money sub-criterion:

- Informed decision-making; and
- Working with partners and third parties

Other matters

Whole of Government Accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2017/18 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.



Other matters

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the Finance Closedown team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2017/2018 presented to you in April 2017 first set out our fees for the 2017/2018 audit. This letter also set out our assumptions.

Should there be a need to charge additional audit fees then this will be agreed with the s.151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is **£80,775**, in line with 2016/17 (£80,775).

However, given the fact that the NBC audit is a High Risk audit (hence additional substantive audit testing work will need to be undertaken), extra IT work (as a result of the issues encountered with the asset management system), extra valuations work, and the issues encountered on the 2016/17 audit to name a few examples; then we need to ensure Officers and Members are aware that this additional work will result in extra costs and hence fee charged. As always any such extra cost/fee will be discussed and agreed with Senior Officers and Members.

In respect of the on-going 2016/17 audit, we have so far raised fee variations / overruns to date of £150k, (as of 5 July 2018) in light of the additional work required relating to the issues previously flagged in respect of PPE, and further delays encountered since our initial fieldwork in July 2017. These have been discussed and agreed with Senior Officers and the Section 151 Officer. Once the audit is complete, our final fee variation will be discussed and agreed with the Council. This will then be subject to approval by the PSAA.

Appendix 1:

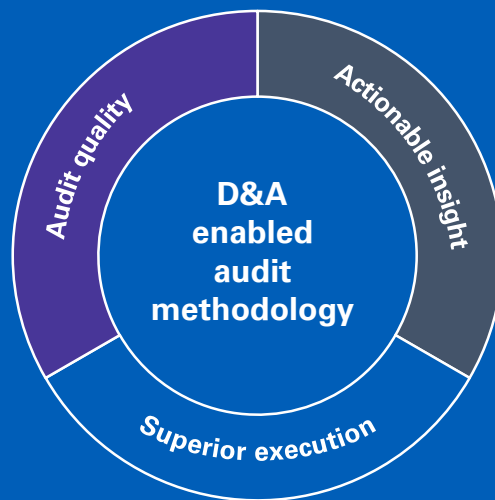
Key elements of our financial statements audit approach

Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable, payroll and journals.



Appendix 1:

Key elements of our financial statements audit approach (cont.)

Audit workflow

Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

Control evaluation

- Understand accounting and reporting activities;
- Evaluate design and implementation of selected controls;
- Test operating effectiveness of selected controls; and
- Assess control risk and risk of the accounts being misstated.

Substantive testing

- Plan substantive procedures;
- Perform substantive procedures; and
- Consider if audit evidence is sufficient and appropriate.

Completion

- Perform completion procedures;
- Perform overall evaluation;
- Form an audit opinion; and
- Audit Committee reporting.



Appendix 2:

Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Northampton Borough Council audit last year.



Andrew Cardoza
Director

E: Andrew.Cardoza@kpmg.co.uk

'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit Committee and Chief Executive.'



Daniel Hayward
Senior Manager

E: Daniel.Hayward@kpmg.co.uk

'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Andrew to ensure we add value. I will liaise with the Section 151 Officer and other Executive Directors.'



Katie Scott
Manager

E: Katie.Scott@kpmg.co.uk

'I too will provide quality assurance for the audit work and technical accounting and risk areas. I will work closely with Clementine to deliver the on-site work. I will liaise with the Section 151 Officer and other Executive Directors.'



Clementine Macliver
In-Charge

E: Clementine.Macliver@kpmg.co.uk

'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Appendix 3:

Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF NORTHAMPTON BOROUGH COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard in relation to this audit engagement [and that the safeguards we have applied are appropriate and adequate] is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

Appendix 3:

Independence and objectivity requirements (cont.)

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Andrew Cardoza



KPMG LLP



kpmg.com/uk



This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Cardoza, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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Appendices:

1. Governance Report
2. Corporate risk register
3. Internal control reviews
4. Position statement on vacant posts



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Governance Report Update
---------------------	---------------------------------

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 26th November 2018

Policy Document: Governance Report

Services: Chief Finance Officer

Accountable Cabinet Member: Jonathan Nunn - Leader

1. Purpose

1.1.1 This report introduces the Governance Report which will be presented quarterly to the Audit Committee.

2. Recommendations

2.1 That the Committee review, comment and request additional information be included or, if not required, items are omitted for future quarterly Governance Reports.

2.2 That the Committee agree that the Governance report will be presented quarterly with appendices where relevant.

3. Issues and Choices

3.1 Report Background

Previously, the Audit Committee was presented with the Governance Action plan that was introduced in 2016. This has now, in the main, been completed and it has been identified that a quarterly governance statement is required to give assurance of controls and process improvements within NBC.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 There are no policy changes as a result of this report.
- 4.1.2 There may be various impacts and changes to current policies. The governance report will assure Audit Committee that policies and procedures are being strengthened to contribute to building a strong control environment at the Council.
- 4.1.3 Compliance with policies will be monitored through the Internal Control reviews and reported upon through the governance structure and to the Audit Committee starting in the new financial year.

4.2 Resources and Risk

- 4.2.1 The Governance team are fully resourced to cover the areas reported within the Governance report, temporary staff have been engaged to assist with GDPR. Financial implications will be reported through the budget process.

4.3 Legal

- 4.3.1 None to report at present.

4.4 Equality

- 4.4.1 Whilst there are no specific equality implications at this stage, various policies will be reviewed through the improvements in procedures throughout NBC. All reviews will be supported by equality and community impact assessments.

4.5 Consultees (Internal and External)

- 4.5.1 Internal consultation has taken place with Corporate Management Board and other senior officers where required.

4.6 Other Implications

- 4.6.1 None specifically

5. Background Papers

- 5.1 None at present

Joanne Bonham, Governance & Risk Manager



NORTHAMPTON
BOROUGH COUNCIL

Governance Report to Audit Committee

26 November 2018

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CONTRIBUTION LIST

Service Area:	Responsible:
LGSS Contract Management Risk/policies/emergency planning/AOB Internal Controls GDPR H & S	Stuart McGregor Jo Bonham Karen Middleton David Taylor Julian Bissaker

1. LGSS Contract Management:

As of 3rd September contract management for LGSS services fell under the remit of the Chief Finance Officer service area. Review meetings have taken place during October and November and additional scrutiny has been introduced with regards to the performance and delivery of services.

On 7th November 2018, the CFO met with LGSS acting Director of Finance and Head of Customer Engagement to discuss the current year extension and possible future extension (to unitary). There is agreement from both organisations to review and refresh performance information to make it more relevant and provide assurance to both that what is being commissioned/purchased is being delivered and to the required standard.

2. Risk registers:

1. Corporate risk register – Appendix 1.

Q1 Presented to Cabinet 17th October, 2018. Last updated Q2 30th September. Next update due Q3 31st December due to go to Cabinet 6th February 2019.

2. Service area risk registers updated November 2018:

- Communications
- Planning (to include Land Charges)
- Regeneration (to include markets/town centre and car parks/facilities management)
- Housing & Wellbeing

3. Service area risk registers to be updated by the end of January 2019:

- Borough Secretary
- Chief Finance Officer
- Customer and Communities

3. Policies update:

A master policy document is maintained by the Governance Support Officer who is responsible for ensuring any new policies and procedures are standardised using a corporate template with version control and naming protocol to keep track.

All policies should be reviewed and where necessary updated on an annual basis. The current status of the policies is recorded on the data master sheet and service areas are prompted to conduct annual reviews.

4. Emergency Planning:

Additional Gold and Silver positions have been identified and training for those volunteers will be completed by January 2019 so they can be included on the duty rota.

Training on Resilience Direct will be completed by the end of January 2019.

Reception centres have been identified and will be undergoing risk assessments during December.

Business continuity plans will also be updated during December to ensure contact details and centres are still relevant and that critical services are covered in an emergency.

Non-critical service areas will be documented in January 2019.

5. Internal Controls:

1. Internal control reviews completed – Appendix 2.

- Temporary Workers
- Asset Management Debt

Work is now ongoing with management to ensure that all actions are implemented.

2. Internal control reviews in progress:

- Corporate debt
- Management of the establishment list/structure chart

3. Internal control reviews planned:

- Parking income
- Market income

4. **Position statement on vacant posts and temporary workers – Appendix 3.**

At its meeting on the 14 March 2016, Audit Committee raised a request for further information on the current number of vacant positions and temporary workers engaged by the Council. This remains a high priority issue for the Council, with management board receiving a monthly update on the use of temporary workers and recruitment issues in general.

6. Health & Safety:

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Audits							
Operational Team	RA's	Written Procedures	Document control	Comms	Accident procedure	Training	Compliant Score
Market	85	60	90	90	90	70	81%
Neighbourhood Wardens	80	80	90	100	90	80	87%
Park Rangers	70	80	90	100	90	70	83%
Customer Services	90	100	100	100	90	90	95%
One Stop Shop	90	100	100	100	90	90	95%
Carparks	80	90	80	100	90	90	88%
Abington Museum	80	80	90	100	100	90	90%
Call Care	80	100	100	100	100	80	93%

Recommended improvements

- Health & Safety Training
- Document Control
- Suitable & sufficient Risk Assessments

Planned H & S Audits & Inspections to March 2019

November

Planning

Northgate Bus Station (will include attendance by the Trade Union GMB)

December

General NBC Office safety inspections, this will cover all floors of the Guildhall and will include the Museum storage area on the mezzanine.

January

Private Sector Housing

Housing Options & Advice

Housing Strategy

February

Facilities

Assets

Regeneration projects

March

Community Safety & Engagement

Town Centre Operations

7. GDPR:

Suspected breaches notified to DPO April – September 2018:

Overall						Cause	Improvement			
Service	Total	Reportable Breaches	Non Reportable	Non Breaches	Investigation ongoing	Cause = Communications	Procedure improvement	Correct Data Set	Update contact details	Notes
Planning Regen	2	0	1	1	0	2	1	N/A	N/A	No breach (1 Case)
CTax & HB (LGSS)	3	0	3	0	0	3	0	1	2	Update contact data (2 cases) Correct data set (1 case)
CIr	1	0	0	1	0	1	0	0	0	No breach
Environmental Health	1	0	1	0	0	1	1	0	0	External contractor self-reported
Post Room	1	0	1	0	0	1	0	0	0	No breach
Housing Options	3	0	0	1	2	3	1	0	0	Investigation on going (2 Cases)
NNDR	1	0	0	1	0	1	0	0	0	No breach
Total	12	0	6	4	2	12	3	1	2	

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8. AOB:

- **Performance management**

Q2 Report to Cabinet 12th December. A review of the way in which the measures are reported will be undertaken during December 18/January 19.

- **Licence to practice**

A complete review of the licence to practice will be undertaken with a view to identifying new training priorities going into Unitary.

- **Corporate plan/service plans**

Updated Corporate Plan published on the NBC website and intranet November 2018.

Service plans will be updated to be in line with the revised Corporate Plan and the budget for 2019/20 once approved. The performance measures for each of the service areas will also be reviewed and updated where necessary.

- **ICT Services**

Although not part of the Governance Team, the NBC ICT Manager is now co-located with the team and reports to the CFO. The ICT Governance meeting is now led by the ICT Manager with attendance/support by the Governance & Risk Manager.

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CORPORATE RISKS Q2 UPDATE AS AT 30th SEPTEMBER 2018		Q1 18/19	Q2 18/19
1.	Failure to deliver a balanced budget 2018/2022	16	16
2.	There is insufficient clarity around Member and Officer Roles	20	20
3.	Inadequate succession planning and staff retention	12	12
4.	Inability to meet and manage the demands of homelessness	10	10
5.	Failure to manage or failure to deliver or expose new risks as result of poor project management practice	12	12
6.	Legal obligations under the Data Protection Act 1998 (and also the superseding GDPR EU Regulations in 2018) are breached	12	12
7.	Plans for improving the economic prosperity and regeneration of Northampton are not delivered	12	12
8.	NBC fails to manage its Partnerships (LGSS, NPH, NLT, AMEY)	9	9
9.	Major or large scale incident (accident, natural hazard, riot or act of terrorism) business interruption occurs	12	12
10.	Impropriety or improper business activities leading to fraudulent activity or malpractice	16	16
11.	Significant decisions made at Council and Cabinet level are not sufficiently robust to withstand legal challenge.	12	12
12.	Inability of IT to service future requirements/and or loss of IT due to failure or cyber-attack	10	10
13.	There is non-compliance with Fire and Health and Safety Legislation	9	9
14.	Safeguarding arrangements are not adequate to protect or address concerns of vulnerable adults and children	9	9
15.	Failure to deliver enough new housing to meet targets and need	9	9
16.	Potential changes and impact as a result of LGR	10	10

IMPACT

5 Catastrophic					
4 Major				1,10	2
3 Moderate			8,13,14,15	3, 5,6,7, 9,11	
2 Minor					4,12,16
1 Insignificant					
LIKELIHOOD	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain

CORPORATE PRIORITIES - to be updated with new Corporate Plan priorities	
CP1	
CP2	
CP3	

NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT 30th SEPTEMBER 2018

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & Date
							Q1 18/19	Q2 18/19				
1.	76	Failure to deliver a balanced budget 19/20 – 22/23	<ul style="list-style-type: none"> ▪ Council unable to deliver sufficient savings to balance budget ▪ Major projects don't deliver planned benefits ▪ Complacency in the organisation ▪ Increased organisational change and complexity ▪ Changes in govt. funding particularly NNDR ▪ Complex challenges of addressing both the controllable and uncontrollable pressures and events that can act on both income and expenditure ▪ Challenges of working with partnership or arms-length organisations where there is a loss of direct management control over their activities 	<ul style="list-style-type: none"> • Inability to set a legal budget • Depleted Reserves • Need to realise capital receipts • Inability to deliver services to meet customer need/demand and expectations of the Council 	25	<ul style="list-style-type: none"> • Review reserves strategically • Robust monitoring of budgets by services and taking early remedial action where issues identified. • Management Board action to limit spending where appropriate and communicate to staff on spending restrictions • 18/19 budget set • Quarterly financial reporting to Cabinet • Regular financial reporting to the Management Board • Regular monthly financial monitoring (incl. projections) • Finance Away Days for Boards and HoS 	16	16	<ul style="list-style-type: none"> • Robust Medium Term Financial Plan review (September 2018 – January 2019) • Cabinet and CNB are having a workshop in October to consider the Budget pressures for 18/19 and future years and consider what options may be available to manage or mitigate the issues. 	16	CFO (S151)	Updated by CFO 19 th October 2018

NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT 30th SEPTEMBER 2018

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & Date
							Q1 18/19	Q2 18/19				
2.		<p>Projects may be instigated outside normal process where there is a lack of clarity around Member and Officer roles.</p> <p>Reputational damage may occur should promises to the public by Members not be realised.</p>	<ul style="list-style-type: none"> ▪ Members and Senior Officers roles (formulating and administering policy respectively) are not always clear ▪ The culture does not resonantly promote a separation of the respective roles and duties of members and officers ▪ Officers feel inhibited in giving full, objective, professional and technical advice to Members in charged political atmospheres ▪ Officers in their role seek to frustrate the strategic choices, policy and direction-setting of Members • Weak management of Members by leadership in the past 	<ul style="list-style-type: none"> • Significant decision-making with significant outcomes and impacts is not robust and is not properly administered or processed by the organisation • The intended outcomes and objectives of decisions are not achieved or are achieved in sub-optimal terms • Maladministration occurs • The control environment is weakened and controls could be bypassed • Potential for reputational damage and loss of public and stakeholder confidence • Regulatory criticism • Legal challenge may be made and increased costs incurred 	20	<ul style="list-style-type: none"> • Council Constitution (incl. the Member-Officer Protocol) • Cabinet reporting system • Scheme of Delegation • Contract Procedure Rules • EPB set up to aid interface between Members and Officers. • Weekly meeting with CMB and Cabinet to discuss general updates and any potential issues/gaps in information communicated. 	20	20	<ul style="list-style-type: none"> • Review of EPB terms of reference (Sept 2018) • Review of Member-Officer Protocol (by Dec 18) • Provision of training on Member-Officer Protocol (by Dec 18) • Corporate training to Officers plus briefings to all staff to reiterate the standards to be enforced (by Dec 18) 	12	Borough Secretary	Updated by Borough Secretary 8 th August 2018

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NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT 30th SEPTEMBER 2018

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & Date
							Q1 18/19	Q2 18/19				
3.	78	Inadequate succession planning, capacity and retention leading to service disruptions/non delivery	<ul style="list-style-type: none"> ▪ Salaries not competitive with LAs outside the local catchment area ▪ Reputation of the Council is not positive ▪ Perception of organisational instability ▪ Continual cost cutting ▪ Drift in staff morale ▪ Differing levels of engagement within the organisation ▪ Historic failure and disconnect of leadership to engage with staff ▪ Impact of unitary causing uncertainty ▪ Lack of HR strategic profile in the organisation 	<ul style="list-style-type: none"> • Inability to recruit to roles (particularly key roles) • Inability to retain staff (particularly key talent staff) • Depressed staff morale • Increased staffing costs due to agency/interim costs • Staff leaving (particularly key staff) take their organisational knowledge out of the organisation when they leave • No succession planning is possible particularly around specialist and qualified posts • Reduced organisational effectiveness and performance • Lack of organisational resilience 	20	<ul style="list-style-type: none"> • Recruitment process changed eg. to advertise more widely, use of dynamic job ads and increase use of specialised agencies to find permanent staff or fixed term applicants • Benefit of council pension scheme headlined to attract staff • Performance appraisal rewards highly effective staff • Family friendly policies, eg maternity and paternity leave • Generous holiday allowance • Subsidised car-parking • Guildhall location • Flexible working hours • New Chief Executive recruited 	12	12	<ul style="list-style-type: none"> • Review of staff Terms and Conditions (December 2018) • Review of performance appraisal process (December 2018) • Investigating the use of one common method of job evaluation (December 2018) • A number of initiatives in wellbeing and communication being considered for deployment (On-going) • Roll-out of Leadership Development Programme (On-going) • Introduction of talent management and succession process (December 2018) • Promote unitary as an opportunity for development (September 2018 – March 2019) • CMB is considering all options to reduce the risk and any impact, CMB is being informed by views from MTUCM 	9	CFO (S151)	Updated by CFO 19 th October 2018

NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT 30th SEPTEMBER 2018

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action (Incl. Implementation Date)	Target Risk Rating	Risk Owner	Update & Date
							Q1 18/19	Q2 18/19				
4.	67	Inability to meet and manage the demands of homelessness in the Borough	<ul style="list-style-type: none"> ▪ Significant increases in the numbers of people who are homeless ▪ Significant increases in the number of people in temporary accommodation (TA) ▪ Welfare reform, eg. extension of the benefit cap reducing affordability of housing ▪ Households loss of private rented accommodation ▪ Difficulty in accessing private rented accommodation ▪ Shortage of social rented housing ▪ Homelessness Reduction Act increasing use of TA 	<ul style="list-style-type: none"> • Increased demand leads to significantly greater costs for the Council • Follow-on significant budgetary overspend occurs • Pressure of financial impact of overspend of c£1.5m • More homelessness applications • Increased statutory duty to rehouse • Increases of numbers of people in BB and TA accommodation 	16	<ul style="list-style-type: none"> • Rigorous budget monitoring in place • Regular financial reporting to Management Board, Portfolio-Holder & Cabinet • Additional resources allocated (£100K for staffing) • Increase in allocated TA budget (£300K) • Two officers now focussing exclusively on TA 	10	10	<ul style="list-style-type: none"> • Prepare Cabinet report to set out position statement for TA (October 2018) • Prepare proposals to further mitigate cost <ul style="list-style-type: none"> - Strategy for procuring cheap accommodation - Slow demand 	10	Head of Housing	Updated by Head of Housing 10 th August 2018

NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT 30th SEPTEMBER 2018

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Current Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating	Further Action (Incl. Implementation Date)	Target Risk Rating	Risk Owner	Update & Date	
5.		<p>Failure to manage, deliver or expose new risks as result of poor project management practice.</p> <p>Reputational damage possible.</p>	<ul style="list-style-type: none"> ▪ Lack of a clearly-defined project management governance structure ▪ Lack of written procedures and related compliance as a source of assurance ▪ Inadequate checks and balances ▪ Inadequate project documentation maintained - business cases in particular 	<ul style="list-style-type: none"> • Wrong decisions made on an unviable business case • Continual review of the project – stopping the continuation on unviable project • Reputation • Financial costs • Pressure on resources • Pay back on investment funds if not delivering 	16	<ul style="list-style-type: none"> • Gateway reviews conducted and reported to CMB for approval • More robust governance processes (as per above risk on governance) • Completion of Project Management Framework document • Highlight reports reported monthly to CMB • Project Managers are made accountable for reporting issues and risks to the Head of Economic Development and Regeneration. 	12	12	<ul style="list-style-type: none"> • Continue to develop and install more robust governance processes (On-going) • Review of project management documentation to simplify and make it easier for reporting purposes. 	4	Head of Economic Development and Regeneration	Updated by Head of Economic Development and Regeneration 7 th August 2018

NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT 30th SEPTEMBER 2018

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & Date
							Q1 18/19	Q2 18/19				
6.		Legal obligations under the Data Protection Act 1998 (and also the superseding GDPR EU Regulations in 2018) are breached and there is inappropriate access and/or disclosure, corruption or loss of data	<ul style="list-style-type: none"> ▪ Not implementing the new EU data protection legislation ▪ Lack of staff knowledge of policy and procedure ▪ Ineffective implementation of GDPR Regulation requirements ▪ Lack of an implementation plan for GDPR 	<ul style="list-style-type: none"> • Data breaches • Prosecution • Fines • Lack of confidence and public trust • Reputational issues • Member criticism 	20	<ul style="list-style-type: none"> • Data sweeps • Data governance • Staff awareness • Campaigns/refresher online training • Data Protection Policy update May 2018 • Follow up actions and lessons learnt communication to all staff through newsletters/all staff emails • GDPR implementation plan in place 	12	12	<ul style="list-style-type: none"> • Continue with training on GDPR refresher courses for officers and members (ongoing) • review and update of all policies and procedures (ongoing) • Implement improved management of data storage (December 2018) 	4	Governance & Risk Manager	Reviewed by Governance & Risk Manager 19 th October 2018
7.	181	There are no clear plans for improving the economic prosperity and regeneration of Northampton.	<ul style="list-style-type: none"> ▪ Lack of skilled resource and vision ▪ Lack of local knowledge ▪ LGR creates political uncertainties ▪ No cohesive decision making in relation to regeneration strategy for Northampton between Officers and Members. 	<ul style="list-style-type: none"> ▪ Investors not investing in the town or pulling out of partnership arrangements ▪ Jeopardising current and future regeneration and growth projects ▪ Damage to Northampton as a place of choice 	16	<ul style="list-style-type: none"> • Lessons-learned reviews being held • Improved reporting through to CMB 	12	12	<ul style="list-style-type: none"> • Plans being developed in terms of QA and process and service capability in structure • Preparation of Economic Growth Strategy January 2019) • Plans for regeneration and town centre to be developed (September 2018) • Development of growth team 	2	Head of Economic Development and Regeneration	Updated by Head of Economic Development and Regeneration 7 th August 2018
8.		NBC fails to manage its contractual partnerships with: <ul style="list-style-type: none"> • LGSS • NPH • NLT • Veolia 	<ul style="list-style-type: none"> ▪ Loss of direct management control over activities ▪ Poor governance ▪ Lack of contract monitoring at officer level ▪ Lack of quality control ▪ Performance monitoring information is not developed 	<ul style="list-style-type: none"> • Services not delivered to quality, time and cost • Failure in fulfilling legal responsibilities • Hindering the achievement of the councils objectives • Negative impact to customers and stakeholders • reputational risk to NBC 	12	<ul style="list-style-type: none"> • Taking remedial action where required e.g. HR and Payroll coming back in-house • Quarterly reports and meetings 	9	9	<ul style="list-style-type: none"> • robust contract monitoring and quality control • Continual review of LGSS contract • Holistic/virtual team of contract managers to share good practice 	8	CFO (S151)	Reviewed by CFO 19 th October 2018

NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT 30th SEPTEMBER 2018

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & Date
							Q1 18/19	Q2 18/19				
9.	82	Major or large scale incident (accident, natural hazard, riot or act of terrorism) business interruption affecting the council resources and its ability to deliver services and risk to safety of staff and loss of staff	<ul style="list-style-type: none"> Accident, natural hazard, riot or act of terrorism or other business interruption 	<ul style="list-style-type: none"> Lack of business continuity Council not able to deliver front-line services Council failing to meet statutory responsibilities Risk of safety to staff and loss of staff Customer needs not being met 	20	<ul style="list-style-type: none"> Updated business continuity strategy and business continuity plans partially in place only for all services with some services remaining outstanding Refreshed Critical Incident Plan Emergency Planning Work-streams facilitated by Emergency Planning lead including town centre evacuation procedures Establishment of Gold and Silver duty rota Review of high-rise buildings in the borough post-Grenfell On-going improvements identified and implemented as a result of participation in national and local exercises eg Cygnus (flu-pandemic) and Jerboa (flooding) exercises Involved in London Bridge briefings London Bridge guidance notes updated August 2018 Follow up briefing given to NBC key officers by CEO. 	12	12	<ul style="list-style-type: none"> Emergency Roles and responsibilities paper to be presented to CMB to address staffing shortages in the duty rota (September 2018) Continuing work to ensure all services at the Council put in place a business continuity strategy and plan (On-going) Continuing improvements to BC and Emergency Planning procedures to be implemented post operations e.g. 2018 Floods (on-going) Clarify arrangements for business continuity responsibility for key partner organisations (On-Going) Roles on Gold and Silver reviewed (October 2018) Training rolled out via LRF for all new Gold/Silver persons (Oct – Jan 2019) Specific exercise for NBC colleagues to be developed (Dec 2018) and then delivered (March 2019) 	9	CEO	Updated by CEO 8 th October 2018

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10.		<p>Impropriety or improper business activities leading to fraudulent activity or malpractice</p>	<ul style="list-style-type: none"> ▪ LGSS services returning - HR and Payroll - shifting accountabilities ▪ Lack of robust governance, procedure or process ▪ Lack of robust internal controls ▪ Inadequate reviews by internal audit on financial controls ▪ No assurance from LGSS on effectiveness of controls 	<ul style="list-style-type: none"> • Avoidable financial loss • Criminal prosecution • Civil litigation • Fines • Lack of confidence from staff or public • Reputational damage • Member criticism 	15	<ul style="list-style-type: none"> • Counter-fraud strategy in place • NBC Fraud policy in place • Section 151 controls • Review of policy and procedure • Review of LGSS Finance SLA and process • Whistleblowing Policy approved by Council 	16	16	<ul style="list-style-type: none"> • NBC fraud policy to be reviewed (Dec 2018) • Reviews of financial controls within LGSS (Dec 2018) • gain assurance of controls through contract management of LGSS and internal audit (Dec 2018) 	10	Governance & Risk Manager	Reviewed by Governance & Risk Manager 19 th October 2018
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NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT 30th SEPTEMBER 2018

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & Date
							Q1 18/19	Q2 18/19				
11.		Significant decisions made at Council and Cabinet level are not sufficiently robust leading to ill informed decisions being made.	<ul style="list-style-type: none"> ▪ Inadequate governance ▪ Inadequate checks and balances 	<ul style="list-style-type: none"> • Civil litigation, including judicial review • Lack of confidence from staff or public • Court cases • Ombudsman reviews 	15	<ul style="list-style-type: none"> • Additional/Increased cabinet clearance protocols in place • Reworked clearance processes • EPB Officer/Member interface in operation to ensure greater understanding prior to cabinet/council meetings 	12	12	<ul style="list-style-type: none"> • Annual reviews of Democratic Services (March 2019) 	10	Borough Secretary	Updated by Borough secretary 8 th August 2018
12.		Inability of IT to service future requirements and or loss of IT due to failure or cyber-attack	<ul style="list-style-type: none"> ▪ Poor governance ▪ Lack of contract monitoring ▪ Lack of quality control 	<ul style="list-style-type: none"> • Services not being delivered to customers • Business interruption • Inefficient business processes and technology not adequately exploited. 	15	<ul style="list-style-type: none"> • Review of current LGSS SLA with IT to see what can be improved and remedial action taken • IT policies and procedures reviewed and refreshed • Review of IT equipment and infrastructure • PSN Compliance achieved • Lessons-learned review implemented following ransomware attacks in 2016/17 	10	10	<ul style="list-style-type: none"> • ICT Governance Meetings (On-going) • ICT Client Meetings to assess relationships and risks (On-going) • Completion of LGA stocktake as at 31st August 2018. • LGA stocktake results action plan implementation. 	10	CFO (S151)	Reviewed by CFO 19 th October 2018
13.	84	There is non-compliance with fire and Health and Safety legislation.	<ul style="list-style-type: none"> ▪ Lack of a clear strategy ▪ Processes not followed 	<ul style="list-style-type: none"> • Continuing lack of a clear strategy /strategic direction • Death or injury to public or staff • Criminal prosecution or civil litigation • Service stopped • Loss of public trust • Action by H & S executive or Northants Fire and Rescue • Fines to organisation • Corporate manslaughter charges • Insurance claims • Financial loss 	20	<ul style="list-style-type: none"> • Corporate Health & Safety Group set up and in place • Upskilling of managers in terms of H&S responsibilities • Audit & Inspection Framework in place • H&S Matrix in place cross-referencing role profiles to required H&S training • Review of H&S policies and procedures and refreshed where appropriate • Refresher staff comms and training • Fire Marshal training completed • Implementation of mandatory on-line training courses for all staff • Corporate Health Safety and Wellbeing Policy presented to Council and signed off on 9th July 2018. 	9	9	<ul style="list-style-type: none"> • Restructure of the H & S delivery and service (October 2018) • Communication and engagement with staff through information/training sessions (On-going) 	6	Governance & Risk Manager	Updated by Governance & Risk Manager 19 th October 2018

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No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & Date
							Q1 18/19	Q2 18/19				
14.		Safeguarding arrangements are not adequate to protect or address concerns of vulnerable adults and children.	<ul style="list-style-type: none"> Staff lack of awareness of procedure or referral route 	<ul style="list-style-type: none"> Children or vulnerable adults harmed or put at risk of harm Criminal prosecution or civil litigation Seriously damaging reputation or NBC 	20	<ul style="list-style-type: none"> Procedures and referral routes reviewed and refreshed where necessary Refreshed procedures and referral routes communicated Designated Officer for Safeguarding as point of contact in place Series of presentations on CSE, including with Members and staff, to build awareness Increased joint working with County Council (Rise Team), other boroughs and districts, including with community safety. licencing and social landlords Scrutiny Review of CSE in the Borough Scrutiny Review gone to Cabinet 	9	9	<ul style="list-style-type: none"> Hotel Watch exercise to be rolled out in conjunction with the Rise Team (March 2019) Full implementation of recommendations arising from the above Cabinet report (June 2019) Response to scrutiny review (October 2018) 	9	Head of Housing	Updated by Head of Housing 9 th August 2018
15		Failure to deliver enough new housing to meet targets and needs	<ul style="list-style-type: none"> Local housing market housebuilders not wanting to devalue their product by flooding the market increasing land values 	<ul style="list-style-type: none"> Note delivering enough housing to meet local demand Increase in homelessness and demand for temporary housing Failure to meet local targets Failure to meet Housing Delivery Test Potential loss of decision making role Inability to resist housing proposals in unsustainable locations. 	16	<ul style="list-style-type: none"> Secured planning Delivery Funding to recruit Housing Delivery Manager to liaise with housebuilders and establish what is delaying delivery Regular monitoring of local and market area delivery Flexible approach to planning applications Investigating investment in infrastructure to open up allocated sites and accelerate delivery Development of a Growth Deal to secure additional resources for affordable housing, infrastructure and capacity, and planning freedoms Promotion of role within Growth Corridor Cabinet approval of £4.2m Dallington relief road September 2018. 	9	9	<ul style="list-style-type: none"> Re-advertise the Housing Delivery Manager vacant post (Autumn/winter 2018) Develop action plan (January 2019) Growth Deal submitted October 2018, agree full submission 2019. DevCo formation October 2018 NBC bid for HRA development (October 2018) 	9	Head of Planning	Updated by Head of Planning 2 nd October 2018

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No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & Date
							Q1 18/19	Q2 18/19				
16	08	<p>There are potential changes to Local Government structures currently including major changes to overarching governance in the local area. Possible outcomes include Northampton Borough Council becoming a Unitary authority or potentially ceasing to exist in its current form.</p> <p>Risk that NBC is not in a favourable position as a result of the LGR proposal.</p>	<ul style="list-style-type: none"> ▪ Impact on NBC and other Northamptonshire district and borough councils following the issues identified at NCC and the Max Caller report ▪ LGR 	<ul style="list-style-type: none"> • Loss of opportunities and investment • Potential impact on community • Lack of focus on Northampton Town • Focus on services • Consumes resources that may impact on business as usual 	20	<ul style="list-style-type: none"> • Working with other councils in Northamptonshire and partners with a view to agreeing a way forward on LGR deal and strengthening current governance structures • Working with County to ensure effective joint working continues • CGR underway for a new Town Council • Full risk register associated with the wider project 	10	10	<ul style="list-style-type: none"> • Formation of a Unitary Project Team (CMB) within NBC • New expanded project team that will be resourced (march 2019) • New governance structures in place across all 8 authorities • New governance structures in place for West Northants area • Cross party working group meeting regularly • CEO chairs CEX Group/Leader chairs Leaders group • MO, CFO and Head of Marketing all now involved in countywide professional groups • Comprehensive communications plan for staff 	5	CEO	Update by CEO 8 th October 2018

RISK ASSESSMENT MATRIX KEY

NBC Risk Matrix						
Impact	5 <i>Catastrophic</i>	5	10	15	20	25
	4 <i>Major</i>	4	8	12	16	20
	3 <i>Moderate</i>	3	6	9	12	15
	2 <i>Minor</i>	2	4	6	8	10
	1 <i>Insignificant</i>	1	2	3	4	5
		1 <i>Rare</i>	2 <i>Unlikely</i>	3 <i>Possible</i>	4 <i>Likely</i>	5 <i>Almost certain</i>
		Probability				

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Impact		Health and Safety	Reputation	Financial	Legal / Regulatory
Type of Impact	Level				
5	Catastrophic	Fatality	Critical impact on business reputation and/or national media exposure.	Financial loss in excess of £10 Million/ Impact on budget > 12 %	Regulatory and high level Government intervention/action.
4	Major	Permanent disabling injury and / or long term off work	Significant impact on business reputation and/or national media exposure.	Financial loss from £5 to £10 Million/ Impact on budget 6 - 12%	Management challenged / Large legal liabilities. Likely to result in regulatory intervention/action.
3	Moderate	Injury requiring medical treatment , time off work and rehabilitation	Moderate to small impact on business reputation.	Financial loss from £2 to £6 Million / Impact on budget 2 - 6%	Management reviewed / legal reserves established. Triggers regulatory investigation.
2	Minor	Injury requiring medical treatment with no lost time	Some impact on business reputation.	Financial net loss from £0 to £2 Million/ Impact on budget < 2 %	Minimal / limited liabilities. Requires immediate regulator notification.
1	Insignificant	Minor medical treatment, no lost time.	No impact on business reputation.	No financial net loss or impact on budget	Minimal liabilities. No immediate regulator notification required.



Likelihood		
5	Almost certain	Is expected to occur in most circumstances/ occurs daily - weekly
4	Likely	Could occur in most circumstances / occurs monthly
3	Possible	Has occurred here or elsewhere / Once a year
2	Unlikely	Hasn't occurred yet but could / once in 5 years
1	Rare	Hasn't occurred yet but could / once in 10 years

Internal Control Reviews
Summary of Findings

26th November 2018

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Year	Audit ref:	Audit	Service Area	Finding	Action	Overall Rating	Management Response	Action Date	Status
18/19	1	Temporary Workers	Corporate	<p>1. This is a lack of strategic overview of the process.</p> <p>2. Adequate policies, procedures and guidance notes are not in place.</p> <p>3. A register of consultants is maintained but this is not fit for purpose.</p> <p>4. Staff are not recruited via agencies that are on the CCS framework, reliance placed on the exemption process.</p> <p>5. A number of the exemption report forms reviewed were incomplete.</p> <p>6. The value of purchase orders sometimes exceeded the value of the approved exemption report form.</p> <p>7. A lack of evidence was available to demonstrate that the intermediaries legislation (known as IR35) was always being complied with.</p> <p>8. Evidence was not always available to demonstrate that the appropriate checks had been undertaken prior to engaging temporary workers.</p> <p>9. A review of the statements of work found that they were not always completed consistently for all temporary workers.</p>	<p>-The ownership and management of the processes for engaging temporary workers should sit with HR.</p> <p>- All policies, procedures and guidance relating to temporary workers should be reviewed/ updated to ensure that they are fit for purpose.</p> <p>- The over reliance on the exemption process to engage, or to continue to engage temporary workers should cease with immediate effect.</p> <p>- A review of all current temporary workers should be undertaken to determine whether their services are still required.</p> <p>- Exemption report forms should be completed in full and approved/ endorsed before the individual/ service commences.</p> <p>- IR35 status of each temporary worker should be established prior to engagement.</p> <p>- The policies, procedures and guidance referred to in section 2.2 should make explicit the checks that are required when recruiting individuals.</p> <p>- The policies, procedures and guidance referred to in section 2.2 should make explicit the requirement and processes relating to the production of a statement of works.</p> <p>- Regular and robust reviews should be undertaken to monitor performance and progress and these should be evidenced.</p>		<p>1. The HR and Payroll Manager is now the gatekeeper of the process for engaging temporary workers.</p> <p>2. The Temporary Worker Register has been implemented and will be used to report to management board at the start of each month.</p> <p>3. Work is underway to review all of the policies and procedures relating to temporary workers.</p> <p>4. Going forward the procurement of temporary workers will be overseen by the HR and Payroll Manager.</p> <p>5. Senior management have been provided with the Temporary Worker Register and are reviewing all those currently engaged.</p> <p>6. Following on from the senior management restructure a review of authorised signatories is being undertaken.</p> <p>7. Action is being taken to ensure that the IR35 status of each worker is clear, and evidenced.</p> <p>8. The Temporary Worker Procedure, including the Off-Payroll Worker Engagement Form, specify the checks required for the recruitment of temporary workers.</p> <p>9. The review of current temporary workers also includes the completion of a statement of works.</p> <p>10. Training will be arranged via the Managers sessions.</p>	November 2018	Partially completed

Internal Control Reviews
Summary of Findings

26th November 2018

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Year	Audit ref.	Audit	Service Area	Finding	Action	Overall Rating	Management Response	Action Date	Status
18/19	2	Asset Management Debt	Economy, Assets & Culture	<p>1. There is a lack of documented procedures within the estates team.</p> <p>2. Transactions are being approved by inappropriate personnel.</p> <p>3. An annual verification of property/land assets has not been undertaken and there has been no reconciliation between RAM and the property management system.</p> <p>4. There are a number of vacant posts within the estates team.</p> <p>5. Limited training has been provided to those staff in post.</p> <p>6. Limited debt recovery action has been taken due to resourcing issues within the team. As at 01 August 2018, the total value of asset management debt outstanding was £2,204,203.32. Outstanding debt relating to insurance totals £3,832.65.</p> <p>7. Key performance indicators have been established but performance has not been reported on for over a year.</p>	<p>- Process maps/checklists should be produced which cover the key tasks and activities undertaken by the estates team.</p> <p>- Adequate resource should be directed in to getting the property management database up-to-date.</p> <p>- A review of the authorised officers for the estates service should be undertaken.</p> <p>- A full reconciliation between RAM and the property management database should be undertaken.</p> <p>- A recruitment strategy, to address the shortfall in resources within the estates team, should be developed and implemented.</p> <p>- A training programme should be put in place to ensure that all staff have access to and completed all relevant training.</p> <p>- Going forward, all agreed performance measures should be reported on at the specified frequency, with explanatory notes included as required.</p>		<p>1. A resource is being identified to assist with drafting some basic procedures.</p> <p>2. Work around the authorised signatories is already ongoing and should be completed within the next couple of weeks.</p> <p>3. A reconciliation between RAM and the property management system will be undertaken following the 16/17 SoA closure.</p> <p>4. A recruitment strategy has been drafted and is in the process of being implemented.</p> <p>5. A review will be undertaken to identify training needs and how these can be best met.</p> <p>6. The role of the credit controller has been scoped and recruitment started.</p> <p>7. The performance measures will be reviewed and amended as required to ensure that they provide an accurate base from which to monitor the key elements of the service.</p>	March 2019	Partially completed

Position Statement on Vacant Posts and Temporary Workers

1.1 Temporary Workers

1.1.1 The total number of temporary workers engaged and those which are covering vacant posts in the establishment:

Service Area	October 2018		Committed Expenditure 18/19
	Total	Covering vacant posts	(£000)
Chief Executive	1	1	58
Chief Finance Officer (S151)	0	0	47
Borough Secretary & Monitoring Officer	2	2	66
Customers & Communities	4	4	39
Economy, Assets & Culture	7	5	412
Planning	6	6	116
Housing & Wellbeing	4	2	143
Total	24	20	881

1.1.2 The number of temporary workers engaged and the length of engagement is summarised in the table below:

Service Area	October 2018	Length of time engaged				
		<1 month	1-3 months	3-6 months	6-12 months	12+ months
Chief Executive	1	-	-	-	1	-
Chief Finance Officer (S151)	0	-	-	-	-	-
Borough Secretary & Monitoring Officer	2	-	-	1	-	1
Customers & Communities	4	1	3	-	-	-
Economy, Assets & Culture	7	-	-	-	4	3
Planning	6	1	2	2	-	1
Housing & Wellbeing	4	-	-	1	-	3
Total	24	2	5	4	5	8

1.2 Vacant Posts

1.2.1 The number of staff vacancies is summarised in the table below.

Service Area	Total Posts	Vacancies (October 2018)	Recruiting to	Covered by Temporary Workers
Chief Executive	10	1	1	1
Chief Finance Officer (S151)	15	1	0	0
Borough Secretary & Monitoring Officer	22	8	4	2
Customers & Communities	119	14	4	4
Economy, Assets & Culture	75	16	2	5
Planning	37	8	1	6
Housing & Wellbeing	60	6	0	2
Total	338	54	12	20