

Internal Audit Progress Report

Update to the Audit Committee on
Internal Audit activity

Northampton
Borough Council

October 2013

Introduction

We are committed to keeping the Audit Committee up to date with internal audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention matters that are relevant to your responsibilities as members of the Authority's Audit Committee.

2013/14 audit plan

We have undertaken work in accordance with the 2013/14 Internal Audit Plan which was approved by the Audit Committee at its meeting in May 2013.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. At the time of this report we have completed almost 27% of the planned audit days. This is slightly ahead of where we were last year and fairly typical given that we don't often do much in Q1 because of year end accounts.

Reporting activity and progress

Final Reports

Since our previous Internal Audit Progress Report, we have issued final reports for the following reviews performed in accordance with the 2013/14 Audit Plan:

- Treasury Management

We have classified our findings in this area as **Low Risk**.

The overall low risk rating of this review is attributed to the identification of weaknesses in the following areas:

- *Updating bank signatories* - 1 instance was identified where there was a delay in requesting that a former employee be removed as an authorised bank signatory.
- *Counterparty Lending Listing* - the control has not been consistently applied in terms of printing the Counterparty Lending Listing before the investment is made to evidence sufficient headroom on investing limits.

Overall, the department is well controlled and has an effective system of controls and procedures to address the key areas of the treasury management activities. The weaknesses identified, relating to the operating effectiveness of these procedures is something which the department should seek to address going forward in an effort to improve overall performance.

- Asset Management

We have classified our findings in this area as **Low Risk**.

The overall low risk rating of this review is attributed to the identification of weaknesses in the following areas:

- *Non-operational property condition surveys* – condition surveys are not currently undertaken or monitored for non-operational properties therefore the Council has insufficient knowledge about the current condition of its non-operational assets. The relevant properties are inspected in the course of routine estate management, but comprehensive surveys have not been undertaken.
- *Condition surveys* – the operational property condition monitoring is based on a significant proportion of older condition surveys which fail to give the Council sufficient up to date information about the condition of operational properties.
- *Condition monitoring key performance indicator* – from the testing performed it was identified that the condition monitoring indicator (ASTO3) was calculated incorrectly and the reported figure does not give an accurate reflection around the performance of the department overall.

Overall, the department is well controlled and has an effective system of controls and procedures to address the key areas of asset management activity. The weaknesses identified are mainly a result lack of resources to perform additional condition surveys. Going forward, the department should consider the most efficient way of utilising available resources and continue with the risk based approach, ensuring that existing monitoring and key performance indicators are updated to reflect the change in working practices.

- Collection Fund

We have classified our findings in this area as **Low Risk**.

The overall low risk rating of this review is attributed to the identification of weaknesses in the following area:

- *Discounts* – instances have been identified where there is no evidence or notes to support the application of a Council Tax discounts.

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- *Single person discount evidence* - the Council has not yet implemented any method of validating single person discount applications (issue re-raised from prior year).
 - *Consortium contract costs* – No breakdown has been provided to enable NBC to reconcile the invoice and substantiate the amount requested by Wellingborough Council. At the time of performing the audit this invoice had not been paid as NBC sought to substantiate the value (issue re-raised from prior year).

Northampton Borough Council has since given notice on their Business Rate partnership arrangement with Wellingborough.

- Debt Recovery

We have classified our findings in this area as **Low Risk**.

No issues have been identified relating to the design or operating effectiveness of key controls in the following areas:

- *Governance, monitoring and reporting*
- *Debt recovery processes*
- *Write offs*

The Debt Recovery Team operates in a well controlled environment with a comprehensive system of controls and processes in place to maximise the recovery of Northampton Borough Council's income. Improvements have been made from last year with regards to how the Debt Recovery Team operates and all the prior year recommendations have been implemented.

Work in progress

Draft reports have been issued / are being prepared for the following areas:

- Budgetary Control
- Delapre Park Concerts

Fieldwork has also been planned in the following areas:

- Environmental Services
- Housing Allocations – timing of the review is subject to full implantation of

Audit recommendation follow-up

The build of the audit recommendation tracking system ("TrAction") has been completed and all recommendations relating to 2012/13 internal audit reports have been uploaded. The next step is to identify owners responsible for completing the actions, and make arrangements for follow up in those areas that have transitioned to LGSS.

Changes to the 2013/14 plan

The audit plan was approved by the Management Board in September 2013. No significant changes were made to the plan.

Empty Homes Programme

We have been asked by management to undertake some fact finding work in relation to the Empty Homes Programme. This work is in addition to the audit plan approved by the Committee and we have agreed with management that 25 days will be added to the original audit plan.

Work commenced on 26th September and is currently in progress.

Decent Homes

In October 2013 we were asked by management to review and provide a report on the “Annual Statement of Grant Usage” for the Decent Homes Backlog Funding Grant from the HCA. This work was performed under a separate Terms of Engagement, outside the Annual Internal Audit Plan.

Audit areas that have moved to LGSS

A number of areas (listed below) identified for internal audit review in the original annual audit plan have now transitioned to LGSS. Whilst NBC still requires assurance over the adequacy and / or effectiveness of governance, risk management, and internal control in these areas, consideration is to be given to the most effective way to achieve this assurance going forward.

We have commenced discussions with the Head of Internal Audit for the LGSS on the most effective means of auditing these areas to provide NBC with the required level of assurance. We anticipate transitioning to a model of “third party assurance” over time. Audit scoping work for these areas has not yet commenced.

- General Ledger
- Debtors
- Creditors
- Payroll
- Cash
- Fixed Assets
- Finance – Agresso IT General Computer Controls review
- Expenses
- Insurance claims

Housing Rents

Following our scoping meeting with the Head of Landlord Services, we understand that a restructure is underway in the department, including recruitment of a new team and changes to reporting lines. As such we have proposed that the current year internal audit review take the form of data assurance work to provide insight into the accuracy and completeness of housing rents. Working with IT, the data can be analysed to compare actual rents charged to target rents, exceptions reported, and management can then take appropriate action to follow up.

Appendix 1 – Plan Progress

Ref	Auditable Unit	Planned audit days	Actual audit days to date	Status update
A	Cross-cutting			
	Risk Management	8		
	Business Continuity	10		
	Governance	10		
	Corporate Fraud	8		
	Procurement	10		
	Treasury Management	5	5	Final report issued
	Budgetary Control	8	8	Field work completed
	Insurance claims	8		
	General Ledger	7		
	Debtors	7		
	Creditors	6		
	Payroll	6		
	Cash	6		
	Creditors (IBS)	7		
	Fixed Assets	8		
	Expenses	5		
	Housing Benefits	8		
	Debt Recovery	5	5	Final report issued
	Collection Fund	7	7	Final report issued
	Housing Rents	8	1	Scoping meeting held, data assurance work proposed.
Total		147	26	
B	Departmental			
	Human Resources – <i>Sickness and absence</i>	8		
	Finance – <i>IT GCC review</i>	10		
	Landlord Services – <i>Travis Perkins</i>	15		
	Strategic Housing – <i>Housing allocations</i>	8	1	Scope of work agreed – timing of work to be advised upon completion of document scanning following the introduction of the EDRMS.
	Planning	8		Scoping meeting scheduled for 7 November

	ICT Operations/ Business Development – <i>Bring your own devices</i>	14	14	Final report issued
	Environmental Services	15	1	Scope of work agreed
	Regeneration and Development - <i>Regeneration project</i>	15		Scoping meeting scheduled for 7 November
	Asset management	7	7	Final report issued
	Town Centre Management – <i>Car Parking</i>	10	9	Original field work complete. Update to include 13/14 performance prior to issuing report.
	Culture and Leisure – <i>Delapre Park concerts</i>	8	7	Field work complete
Total		118	39	
VE	Value Enhancement			
	Post LGSS reviews	30		
	*Empty Homes Programme	25	18	Fieldwork in progress
Total		55	18	
PM	Project Management/Other			
	PwC tracker	-	-	Tracker database build has been completed and reports uploaded. Next steps to identify owners (post LGSS transition) responsible for completing the actions and for them to update.
	Project management	20	8	On-going
Total		20	8	
TOTAL PLANNED / ACTUAL DAYS		340	91	
	*additional to original plan of 315 days			

Appendix 2 – Recent PwC Publications

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PricewaterhouseCoopers Public Sector Research Centre ('PSRC') produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

All publications can be read in full at www.psrc.pwc.com/



Future of Government

This PwC publication explains why Government and public sector organisations world-wide must adjust to the new reality of 'doing more for less' (or 'doing less for less') and focus on the outcomes society needs and wants.



The Local State We're In PwC's annual local government survey, 2013

This PwC publication finds that UK local authorities have once again successfully delivered against an ambitious programme of financial savings over the last year without impacting the quality or quantity of services. But the survey points to nervousness about meeting rising demands for services and protecting the frontline in future in the face of further public spending cuts.



Gaming the Cuts: Local government in 2018

Local authority decision makers in the UK are attempting to bridge a widening financial gap. Against this backdrop this report sets out the potential implications of future spending reviews out to 2018. The purpose is not to add more detail to an already fatalistic picture but to recommend new policies and approaches that can be applied to future fiscal challenges.



At risk? Dealing with failure

No government wants a provider of public services to fail. But as public services are opened up to more competitive pressures, it is likely that under performance will no longer be hidden and provider failure will then appear to occur more frequently.



Opening out? New approaches to service delivery

The UK Government has committed to opening up public services to a diverse range of providers competing to offer a better service for users. But why is opening up public services to new providers such a priority? Does a new market for 'public service partnerships' exist yet? Here we discuss the implications for the partnership models needed to deliver public services.

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