

Internal Audit Progress Report

Update to the Audit Committee on
Internal Audit activity

Northampton
Borough Council

March 2014

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 writing this report we had completed 66% of the planned audit days with the remaining fieldwork scheduled to be delivered over the course of the next month. Work on the core financial systems internal audit reviews is scheduled to take place during March 2014 prior to the commencement of the year end external audit.

2014/15 audit plan

We will present a draft of the 2014/15 internal audit plan to the Audit Committee at the meeting in May 2014.

Reporting activity and progress

Final Reports

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

- **Budgetary Control**

We have classified our findings in this area as **Low Risk**. Overall, we found that the key controls and processes in place with respect to budgetary control are effective and consistently applied. We identified only three minor weaknesses.

- **Alive @ Delapre**

This was a non-assurance review and as such **no risk rating** is assigned. The review highlighted a number of areas, which the team's own evaluation also identified, in which improvements should be made to ensure finances and risks for future events are well managed. Recommendations include:

- Maintaining minutes of budget monitoring meetings
- Investigating the options available with regards to application for a "Cultural Exemption", meaning that future ticket sales are not subject to VAT.
- Considering the possibility of entering into 2 year contracts in order to maximise the financial benefits of the economies of scale for essential items such as staging, sounds and lighting.
- Performing sensitivity analysis regarding the potential to maximise capacity to 9,000 people for the 2014 concert.
- Develop a 2014/15 forecast to demonstrate the future profitability of the concert events.
- Research available insurance policies and consideration of appropriate options in sufficient time in advance of the 2014 event.
- Undertaking a formal debrief event to consider the planning and execution process relating to the 2013 event. Output and lessons learnt should be incorporated into the 2014 event planning.

- **Planning**

This was a non-assurance review and as such **no risk rating** is assigned. We performed Phase 1 of the 'Planning Application Specifications Review' which involved a review of the 'Access Control' and 'Audit' sections of the Council's Invitation to Tender document. We provided comment on the adequacy and completeness of controls in so far as they relate to access, authorisation and workflow, revisiting the findings of the Planning Applications Review from 2010/11 and drawing on experience of best practice system controls.

Work in progress

Draft reports have been issued, and are with management for review, for the following areas:

- Housing - Empty Homes Programme (issued 13 January 2014)
- Environmental Services - Performance Reporting (issued 19 February 2014)
- Town Centre Management - Car Parking (issued 4 March 2014)

Draft reports are being prepared / fieldwork is in progress in the following areas:

- Human Resources – Absence Monitoring
- Housing Allocations
- Housing Rents
- IBS Creditors

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. As many of these relate to areas that have moved to the Shared Service we need to identify owners responsible for completing the actions, and make arrangements for follow up in those areas. Recommendations arising as a result of 2013/14 reviews will be uploaded and followed up as part of the 2014/15 internal audit plan.

Changes to the 2013/14 plan

The audit plan was approved by the Management Board in September 2013. Since we presented our revised Audit Plan in November 2013 we have continued to review the plan to ensure that it is focused on Northampton Borough Council's risks. On that basis, we have made the following revisions to the November 2013 Audit Plan as outlined below.

Contract assurance reviews

LGSS contract management - Responsibility for management of the major elements of the Local Government Shared Service (LGSS) contract has been designated to the Borough Secretary (also Monitoring Officer). The Borough Secretary is reviewing staffing structures within his department to reflect these changes. As part of this review, the Borough Secretary wants to ensure there is appropriate focus on client side contract monitoring over the quality of service received from LGSS to ensure these are in line with expectations of the shared service function.

We will perform a review of the LGSS contract and existing contract governance arrangements to identify best practice contract management procedures to be applied in the monitoring of services delivered by LGSS under the shared service function contract. We will produce a document that sets out best practice contract management procedures and recommends controls specific to the management of the LGSS contract to support management in their day to day oversight and governance of the contract.

Environmental Services contract management - Given the significance of the Enterprise contract, the Council is keen to ensure the quality and rigour of the day-to-day contract management procedures and the process to ensure that value for money is maximised. We will review the design and operating effectiveness of key controls in place relating to the day to day contract management of the Enterprise outsourced waste management contract.

This is in addition to the review already included in the 2013/14 plan of the processes which have been put in place by the Environmental Services team to validate the key performance indicators reported by Enterprise.

Departmental governance review

The Council has experienced significant change in recent months following the transition to LGSS. There are a number of vacant management positions and organisational governance structures are evolving under the new business model. Using the *CIPFA Delivering Good Governance Framework* as a benchmark, we propose to conduct an anonymous survey across all departments to obtain a snapshot of views on governance. Staff from Executive Management to the Team Leader level will be included in the survey, which may highlight common trends and provide insight to identify areas to focus attention in the coming year.

Reviews deferred to 2014/15

Risk Management, Business Continuity, Governance, Corporate Fraud - As noted above, governance structures, including risk management and corporate fraud have been evolving during the period post transition to LGSS. Management has not deemed it appropriate for internal audit to perform review whilst the policies and procedures, roles and responsibilities are being defined and embedded. The days planned for these reviews have been reassigned to contract assurance and departmental governance work outlined above and the review of the Empty Homes Programme, described in the November 2013 progress report.

Insurance Claims, Expenses - To ensure that we focus internal audit attention on Northampton Borough Council's risks, the days planned for these reviews have been reassigned to contract assurance, departmental governance work and the review of the Empty Homes Programme.

Impact of the transition to the LGSS model on financial systems audits

The 2013/2014 internal audit plan was approved by the Audit Committee before back office functions were outsourced to the LGSS. The 2013/14 internal audit plan has been reassessed in light of this organisational change and revisions have been approved by the council's Monitoring Officer and Section 151 Officer.

A number of areas identified for internal audit review in the original annual audit plan have now transitioned either in full, or in part, to the LGSS. We have engaged in an exercise to map out the processes and controls that now sit within the Council and LGSS respectively.

For the following areas, part of the process remains within the Council. For those processes, we will review the adequacy and/or effectiveness of governance, risk management, and internal control. Processes that have transitioned now fall under the remit of the LGSS internal audit plan:

- Debtors
- Creditors
- Cash
- Fixed Assets

For the following areas the entire process has transitioned to LGSS and is outside the scope of this internal audit plan. The Council should seek assurances from the LGSS over the design and operating effectiveness of controls in these areas:

- General Ledger
- Payroll
- Finance - Agresso IT General Computer Controls review
- Procurement
- Housing Benefits

Landlord Services - Travis Perkins

Our original plan included 15 days for a review of the new electronic invoicing processes established as part of the Travis Perkins contract. From discussions with the Landlord Services Team it was understood a separate review focusing on the design of these controls is no longer required. Instead, the scope of the IBS creditors review has been extended to assess the operating effectiveness of the new controls. If any issues are identified the need for additional expertise will be considered.

Appendix 1 – Plan Progress

Ref	Auditable Unit	Planned audit days	Actual audit days to date	Status update
A	Cross-cutting			
	Risk Management	8	Days reallocated to contract assurance and departmental governance work	Defer to 2014/15
	Business Continuity	10		Defer to 2014/15
	Governance	10		Defer to 2014/15
	Corporate Fraud	8		Defer to 2014/15
	Procurement	10	-	Transitioned to LGSS
	Treasury Management	5	5	Final report issued
	Budgetary Control	8	8	Final report issued
	Insurance claims	8	-	Defer to 2014/15
	General Ledger	7	1	Transitioned to LGSS
	Debtors	7	1	Terms of Reference agreed. Work to commence 10 March 2013.
	Creditors	6	1	Terms of Reference agreed. Work to commence 10 March 2013.
	Payroll	6	1	Transitioned to LGSS
	Cash	6	1	Terms of Reference agreed. Work to commence 10 March 2013.
	Creditors (IBS)	7	7	Draft report in preparation
	Fixed Assets	8	1	Terms of Reference agreed. Work to commence 24 March 2013.
	Expenses	5	-	Defer to 2014/15
	Housing Benefits	8	-	Transitioned to LGSS
	Debt Recovery	5	5	Final report issued
	Collection Fund	7	7	Final report issued
	Housing Rents	8	7	Data obtained, draft report in preparation
Total		147	45	24 days to be delivered
B	Departmental			
	Human Resources – <i>Sickness and absence</i>	8	6	Field work completed
	Finance – <i>IT GCC review</i>	10	-	Transitioned to LGSS
	Landlord Services – <i>Travis Perkins</i>	15	7	Days transferred to the IBS Creditors review. Fieldwork completed.

	Strategic Housing – <i>Housing allocations</i>	8	7	Fieldwork complete
	Planning	8	8	Review of specifications for new planning software prior to tender has been completed and report issued. 14/15 plan will include pre-implementation review of system.
	ICT Operations/ Business Development – <i>Bring your own devices</i>	14	14	Final report issued
	Environmental Services	15	15	Draft report issued
	Regeneration and Development - <i>Regeneration project</i>	15	1	Scoping meeting held. A post-completion project governance review of the new Bus Station.
	Asset management	7	7	Final report issued
	Town Centre Management – <i>Car Parking</i>	10	10	Draft report issued
	Culture and Leisure – <i>Delapre Park concerts</i>	8	8	Final report issued
	Housing - Empty Homes Programme	-	38	Draft report issued 13 January 2014.
	Departmental governance reviews	-	1	20 days planned for survey based on CIPFA Delivering Good Governance Framework.
Total		118	122	36 days to be delivered
VE	Value Enhancement			
	Post LGSS reviews	30	8	Days used for additional scoping work on Core Financial Systems to map out areas of risk and control that remain within NBC and those that have transferred to LGSS and subsequently develop the internal audit approach for those areas
	LGSS contract management	-	2	20 days for a specialist review of the LGSS contract and existing contract governance arrangements to identify best practice contract management procedures to be applied in the monitoring of services delivered by LGSS under the shared service function contract.
	Environmental Services contract management	-	2	28 days for a specialist review of the design and operating effectiveness of key controls in place relating to the day-to-day contract management of the Enterprise waste

				management contract.
Total		30	12	<i>44 days to be delivered</i>
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	30	Additional meetings and planning as a result of NBC organisational change.
Total		20	30	<i>2 days to be delivered</i>
TOTAL PLANNED / ACTUAL DAYS		315	209	
Estimated days still to deliver			106	

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.



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.



Redefining local government

Prolonged austerity is driving an important shift in local government, and this new landscape will require fundamentally different organisational cultures and behaviours to make it successful. This Talking Points argues that there is a need for a new framework that enables local authorities to make strategic choices leading to the redesign and development of new ways of working on the ground.



Brave new world? Different ways of working

Today's pressures will significantly impact on the way public services are delivered in future, whether by public sector organisations or by a mix of other providers. Here we examine how public sector organisations need to re-define their purpose and future ways of working by becoming more agile and managing demand more effectively.

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