

Internal Audit Progress Report

Northampton
Borough Council
November 2016

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Introduction

Purpose of this report

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.

2016/17 Internal Audit Plan Progress

The draft 2016/17 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 27 July 2016. The Internal Audit Plan sets out the risks that were identified as part of the planning process, together with the targeted work to be performed in order to address the identified risks. We report back to you on any changes to the assessment of audit risks and on the work undertaken in response to the risks identified.

We have continued our Internal Audit fieldwork and are pleased to report work has concluded in the following areas:

- Disabled Facilities Grant
- Environmental Services

We also have work planned and ongoing in the following areas:

- Risk Management;
- Northampton Town Football Club;
- Economic Development & Regeneration;
- Planning;
- Environmental Health & Licencing;
- Environmental Services; and
- Customers & Cultural Services.
- Housing Options;
- Private Sector Housing; and
- Partnerships and Communities.

A detailed assessment of our performance against the Internal Audit Plan, tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 108.5 days of the planned audit days.

Changes to the 2016/17 Internal Audit Plan

To ensure that our 2016/17 Internal Audit Plan remains suitable and appropriately responds to the Council's current risks we have reviewed the Internal Audit Plan with the Monitoring Officer during October. We have agreed to make the following changes:

<i>Ref</i>	<i>Auditable Unit</i>	<i>Audit days</i>	<i>Comments</i>
A1	Contract management: LGSS review	(20)	This review was intended to look at the resources in place within LGSS to compare the level of charges with the Council's understanding of the services being received. Since the Council has given notice on these elements of the LGSS contract this review will

			no longer take place and the days will be utilised to support alternative internal audit work.
A3	Business Continuity	(10)	This review planned to review the business continuity arrangements. However, officers have requested that we use the allocated audit days to provide advice and assistance in refreshing current plans.
A4	Governance: Corporate Policy	(10)	This review planned to review the processes for updating policies and ensuring ongoing compliance. However, officers have requested that we use the allocated audit days to support alternative internal audit work.
A5	Performance Management	(10)	This review planned to review the performance monitoring arrangements. The Council is currently building new outturn reports, resetting KPIs, targets and following up on reporting and accountability for service performance processes. Until this process is fully embedded this review will be deferred.
C1	Directorate governance: Borough Secretary	(10)	This review planned to review the controls in place to ensure governance and accountability within the Borough Secretary Directorate. However, officers have requested that we use the allocated audit days to support alternative internal audit work.
A6	Northampton Town Football Club	50	Additional time taken to complete the review examining the internal arrangements within the Council for managing Northampton Town Football Club loan and providing lessons learnt.
	Payroll controls	5	When payroll transfers from LGSS to NBC from 1 st January 2017 we will perform testing on the key payroll process and controls in operation during the final quarter of the financial year.
	Total audit days	(5)	

Once the NTFC report has been finalised we will assess the governance issues highlighted and identify where targeted internal audit support can support the Council’s improvements around governance and project management. We will utilise the available days to deliver this work.

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 2016/17 Internal Audit Plan:

- Disabled Facilities Grant – this review was not classed as an assurance review therefore there is no overall report rating or scored recommendations.
- Environmental Services - this review was not classed as an assurance review therefore there is no overall report rating or scored recommendations.

We have summarised the main findings from the reports below:

Disabled Facilities Grant

We identified the following findings following conclusion of our testing:

- **Service fees:** 15 of the 25 in year transactions included in our sample related to service fees. It is understood that a 15% fee is applied to all invoices relating to the cost of the Council administering the DFG scheme;
- **Committed expenses:** One of the five committed expenses included in our sample was incorrectly recorded as an accrual and actually related to an invoice which had already been paid;
- **Capital nature of works:** One of 25 in year transactions included in our sample has a description which states “Unspecified work, to be carried out at referenced address”. The evidence provided to demonstrate the capital nature of works does not directly relate to this invoice; and
- **Cut off:** Two of the 25 in year transactions included in our sample relates to invoices which are dated before the 2015/16 year commences.

Environmental Services

We have reviewed the governance and decision making processes in place supporting the Council’s assessment of the re-provisioning of its environmental services. We made some recommendations in relation to:

- Governance processes
- Visibility of financial assumptions
- Commissioning costs and assumptions
- Qualitative decision making process

Our overall conclusion is that the governance processes in place around this stage of the project is considered robust, although as the project moves into the next stages of implementation and mobilisation, it will be important that these are sustained.

It is also important that there is sufficient clarity over the information used to support the decision around the preferred commissioning option. This includes ensuring that there is visibility over the assumptions used to drive the cost modelling, that the qualitative assessment truly reflects the Council’s requirements of the service and that appropriate consideration is given to the respective risks and opportunities presented by each commissioning option. These factors were not all clear to the Programme Board at the time of our review.

Ongoing fieldwork

Work is progressing in the following areas:

Risk Management

Our work is ongoing in this area and we are working with management to agree a way forwards.

Northampton Town Football Club

The fieldwork is complete and we have drafted the report. We met with the Chief Executive, Leader, Monitoring Officer and Section 151 Officer on the 2 November to review the factual accuracy of our findings following an update to the report. We have met with Northamptonshire Police on the 7 November and KPMG, the external auditors, on the 9 November to discuss our findings. We will seek to finalise the report as soon as possible. Once the report is finalised, we understand that a specially convened Audit Committee is likely to be held to share the findings of the report.

Planned fieldwork

Work is planned in the following areas:

- **Economic Development & Regeneration, Planning, Environmental Health & Licencing, Housing Options, Private Sector Housing and Partnerships & Communities:** scoping meetings have been held during August and September with terms of reference drafted and agreed with management. We are in the process of finalising the dates for fieldwork to commence during November – March;
- **Customer & Cultural Services:** work is ongoing to draft a scope of work and agree this with management.

We held a meeting with LGGS Finance and LGSS Internal Audit during September 2016 to review the current allocation of controls testing to ensure that our internal audit plans were aligned and provided an adequate level of assurance to satisfy the Council. We are currently working with officers and the LGSS Internal Audit function to ensure this process is finalised. It has been indicated that the following areas require further consideration not currently included in our internal audit plan:

- Systems access;
- Review considering the controls and processes for issuing loans;
- Payroll controls testing for quarter 4;
- Review documented process map around asset valuations once prepared in January 2017; and
- Consider need for a review of performance monitoring and KPIs

Appendix 1: Detailed progress tracker

<i>Ref</i>	<i>Auditable Unit</i>	<i>Indicative number of audit days*</i>	<i>Actual audit days to date</i>	<i>Proposed fieldwork dates</i>	<i>Scoping meeting date</i>	<i>Proposed draft report date</i>	<i>Proposed management response date</i>	<i>Proposed final report date</i>	<i>Audit Committee reporting date</i>
A1	Contract management: LGSS review	20	-	Q1-2	Removed from the Internal Audit Plan				
A2	Risk management	10	7	Q1-2	Work ongoing from 15/16				
A3	Business Continuity	10	-	Q3	Removed from the Internal Audit Plan				
A4	Governance: Corporate Policy	10	-	Q3	Removed from the Internal Audit Plan				
A5	Performance Management	10	-	Q3	Removed from the Internal Audit Plan				
A6	NTFC	10	60	Q1	Work ongoing from 15/16	August 2016	September 2016	November 2016	November 2016
B1	Economic development and regeneration	10	1.5	Q4	1 st August 2016	December 2016	December 2016	January 2017	January 2017
B2	Planning	10	1.5	Q3	1 st August 2016	December 2016	January 2017	January 2017	January 2017
C1	Directorate governance: Borough Secretary	10	-	Q2	Removed from the Internal Audit Plan				
D1	Environmental Health and Licencing	10	1.5	Q3	1 st August 2016	December 2016	December 2016	December 2016	January 2017
D2	Environmental services	10	8.5**	Q3	1 st August 2016	September 2016	October 2016	October 2016	October 2016

D3	Customers and cultural services	10	1.5	Q3	1 st August 2016	TBC	TBC	TBC	TBC
E1	Housing options	10	1	Q2	28 th September 2016	December 2016	December 2016	January 2017	January 2017
E2	Private Sector Housing	10	1	Q2	28 th September 2016	March 2017	June 2017	June 2017	June 2017
E3	Partnerships and Communities	10	1	Q3	28 th September 2016	March 2017	June 2017	June 2017	June 2017
F1	Internal audit management	20	15	Q1-4	NA	NA	NA	NA	NA
F2	Contingency	20	13	Q1-4	August 2016	September 2016	September 2016	September 2016	November 2016
	Total audit days	200	108.5						

** Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.*

*** Review delivered using specialist internal audit day rate.*

Appendix 2: Previous internal audit reports

The following table identifies internal audit reports we have issued over the past six years. The full reports are available to all senior officers using our online TrAction tool which includes details of the specific findings. We are working with officers to review the outstanding internal audit recommendations and to make sure that appropriate people within the Council take ownership for implementing internal audit recommendations, especially where the original audit sponsor is no longer in place.

Reference	Title	Audit Year	Department	Audit Sponsor
NBC.16.17.DFG	Disabled Facilities Grant	2016/17	Finance	Glenn Hammons
NBC.16.17.ES	Environmental Services report	2016/17	Communities & Environment	David Kennedy, Francis Fernandes, Glenn Hammons, Julie Seddon
NBC.15.16.LGSS	LGSS contract review	2015/16	Finance	David Kennedy, Francis Fernandes, Glenn Hammons, Julie Seddon, Marion Goodman
NBC.15.16.SEC151	Scope and Effectiveness of the Section 151 Officer arrangement	2015/16	Finance	David Kennedy, Francis Fernandes, Glenn Hammons
NBC.14.15.DP	Data Protection	2014/15	Borough Secretary	Francis Fernandes, Glenn Hammons
NBC.14.15.DRCC	Directorate review: Customers and Communities	2014/15	Customer & Cultural Services	Francis Fernandes, Julie Seddon, Marion Goodman
NBC.14.15.DRREP	Directorate Review: Regeneration, Enterprise and Planning	2014/15	Major Projects & Enterprise	Francis Fernandes, Steve Boyes
NBC.14.15.ECM	Environmental Contract Management	2014/15	Communities & Environment	Francis Fernandes, Glenn Hammons

NBC.14.15.FD	Financial Delegations	2014/15	Finance	David Kennedy, Francis Fernandes, Glenn Hammons
NBC.14.15.GG	Good Governance	2014/15	Borough Secretary	Francis Fernandes, Glenn Hammons
NBC.13.14.AM	Asset Management	2013/14	Finance	Glenn Hammons
NBC.13.14.BC	Budgetary Control	2013/14	Finance	Glenn Hammons
NBC.13.14.Creditors	Creditors	2013/14	Finance	Glenn Hammons
NBC.13.14.Debtors	Debtors	2013/14	Finance	Glenn Hammons
NBC.13.14.DPC	Delapre Park Concerts	2013/14	Customer & Cultural Services	Francis Fernandes
NBC.13.14.DR	Debt Recovery	2013/14	Finance	Glenn Hammons
NBC.13.14.HA	Housing Allocations	2013/14	Strategic Housing	Fran Rogers
NBC.13.14.HousingRents	Housing Rents	2013/14	Landlord Services	Richard Birchett
NBC.13.14.IBSCreditors	IBS Creditors	2013/14	Landlord Services	Richard Birchett
NBC.13.14.PASR	Planning Application Software Review	2013/14	Customer & Cultural Services	Sue Bridge
NBC13.14	Fixed assets	2013/14	Finance	Glenn Hammons
NBC13.14 AM	Absence Monitoring	2013/14	Finance	Glenn Hammons
NBC13.14 BIP	Bus interchange project	2013/14	Major Projects & Enterprise	Glenn Hammons
NBC13.14 CF	Collection Fund	2013/14	Finance	Glenn Hammons
NBC13.14 EHP	Empty Homes Programme	2013/14	Finance	Glenn Hammons
NBC13.14 ES	Environmental Services - Performance Monitoring	2013/14	Communities & Environment	Glenn Hammons
NBC13.14 ICT	ICT - Bring your own devices	2013/14	Finance	Glenn Hammons
NBC13.14 TM	Treasury Management	2013/14	Finance	Glenn Hammons

NBC.AFH.1213	Anti-Fraud Health Check follow up review	2012/13	Finance	Glenn Hammons
NBC.BC.1213	Budgetary Control	2012/13	Finance	Glenn Hammons
NBC.CFS.1213	Core Financial Systems	2012/13	Finance	Glenn Hammons
NBC.CoI.1213	Conflicts of Interest	2012/13	Borough Secretary	Francis Fernandes
NBC.CT.1213	Council Tax	2012/13	Strategic Housing	Fran Rogers
NBC.DH.1213	Decent Homes Contract Review follow up	2012/13	Landlord Services	Richard Birchett
NBC.DR.1213	Debt Recovery	2012/13	Finance	Glenn Hammons
NBC.E.1212	Equalities	2012/13	Borough Secretary	Francis Fernandes
NBC.ESC.1213	Environment services contract follow up review	2012/13	Communities & Environment	Steve Elsey
NBC.FA.1213	Fixed Assets	2012/13	Finance	Glenn Hammons
NBC.HA.1213	Housing Allocations	2012/13	Strategic Housing	Fran Rogers
NBC.HB.1213	Housing Benefits	2012/13	Strategic Housing	Fran Rogers
NBC.HR.1213	Housing Rents	2012/13	Strategic Housing	Fran Rogers
NBC.IBSC.1213	IBS Creditors	2012/13	Finance	Glenn Hammons
NBC.LT.1213	Leisure Trust contract follow up review	2012/13	Communities & Environment	Steve Elsey
NBC.MS.1213	Museums Security	2012/13	Customer & Cultural Services	Julie Seddon
NBC.NNDR.1213	NNDR	2012/13	Strategic Housing	Fran Rogers
NBC.PVP.1213	Potentially Violent People	2012/13	Communities & Environment	Steve Elsey
NBC.RM.1213	Risk Management.	2012/13	Major Projects & Enterprise	Steve Boyes
NBC.SH.1213	Strategic Housing: Accounting for grant income	2012/13	Strategic Housing	Fran Rogers

NBC.SSTP.1213	Shared services transition planning	2012/13	Borough Secretary	Francis Fernandes
NBC.VM.1213	Voids Management follow up review	2012/13	Landlord Services	Richard Birchett



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