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Internal Audit Progress Report 2017/18

**Northampton
Borough Council**
September 2017

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For information: Audit Committee



Summary



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 any other matters that are relevant to your responsibilities.

Progress against the 2017/18 internal audit plan

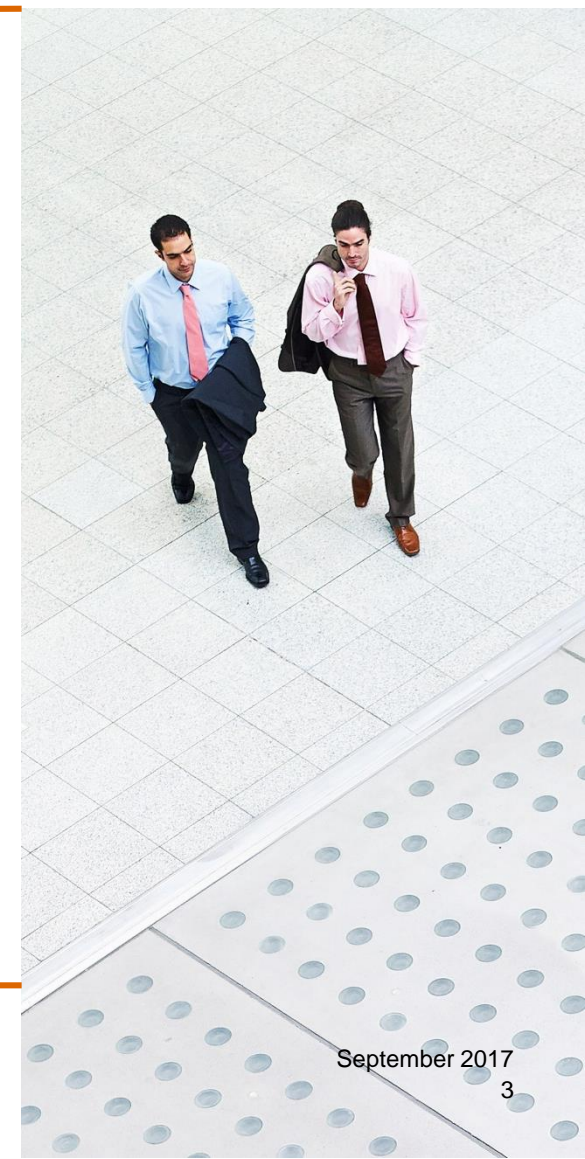
The draft 2017/18 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 3 July 2017. Since that date we have met with the Governance and Risk Manager to ensure the plan remains appropriate in the context of additional Council resource. Some changes are proposed to the plan and these are detailed later in this report.

Following our meeting with the Governance and Risk Manager, we have scoped reviews, agreed terms of reference, planned and commenced work in relation to:

- Governance and risk management;
- Contract management;
- Payroll;
- Whistleblowing; and
- Financial delegations.

We are in the process of agreeing a terms of reference following scoping meetings with relevant officers in relation to:

- Legal;
- HR - recruitment;
- Fraud awareness; and
- Culture.



Activity in the period



Activities in the period

We have held a number of meetings since the Audit Committee approved the Internal Audit Plan in July 2017 to progress the plan. These include:

- Governance & Risk Manager interim support, 3/7/17 and 15/7/17
- Governance & Risk Manager and LGSS Strategic Finance Manager, 18/7/17 and 15/7/17
- HR Strategic Partner, 18/7/17
- Acting Legal Practice Manager, 26/7/17
- Leader of the Council, 21/7/17 and 2/8/17
- LGSS Internal Audit, 15/7/17

These have supported our development of terms of reference for a number of reviews on the Internal Audit Plan.

Other activities in the period

The following activities are being undertaken in addition to the core internal audit plan:

Environmental services contract re-provision – we have agreed a scope of work to review the ongoing project governance processes through monthly catch ups with the Project Manager and review of relevant documentation, attendance at project team meetings which are key to the governance process and meetings with those stakeholders who are involved in mitigating key risks. We will continue to work alongside our waste Subject Matter Expert who has supported us in earlier work.

Leadership structure workshop – we have agreed to deliver a workshop on leadership structures where we will help you to:

- Understand and set out the overall vision for the senior leadership team in the council
- Consider your current organisation design and compare it to examples elsewhere
- Define the preferred option for the top tier leadership structure
- Set out a roadmap for future activities required to achieve the structure



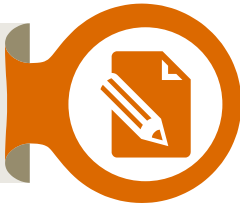
Progress against plan (1 of 3)



Progress against 2017/18 internal audit plan

Ref	Auditable Unit	Total audit days*	Q	Audit days per Q	Review details	Comments
A						
A.1	Governance and risk management	50	Q1-2	20	Risk Management Strategy	Terms of reference developed and agreed. Review of draft risk management strategy currently underway
			Q3-4	15	Assurance Mapping	
			Q3-4	5	Risk Benchmarking	
A.2	Organisational change	40	Q2	10	Vision and strategy	Review currently on hold whilst the Council reviews its plans
			Q3-4	30	HR, legal, payroll	Terms of reference developed and currently with the Council to approve (HR and legal) or awaiting confirmation of onsite fieldwork dates (payroll)
A.3	Financial governance	50	Q2	5	Workshop	Agreed with the Governance & risk manager that these reviews will be replaced with alternative reviews, see additional reviews on the next slide.
			Q2-4	30	Continuous auditing	
			Q2-4	15	Deep dives	
A.4	Tracking recommendations and follow up	20	Q2	8	Closed recommendations	Agreed with the Governance & risk manager that this work will be undertaken by her team and audit days used to support the Council in other ways
			Q2	2	Recommendation reporting	
			Q2-4	10	Review of completed recommendations	

Progress against plan (2 of 3)



Progress against 2017/18 internal audit plan

Ref	Auditable Unit	Total audit days*	Q	Audit days per Q	Review details	Comments
B						
B.1	Culture	30	Q2-4	23	Staff survey	Draft terms of reference shared with the Council for approval.
			Q3	7	Whistleblowing	Terms of reference developed and agreed. Fieldwork to commence.
C						
C.1	IA management time	20	Q1-Q4	10		
D						
D.2	Additional reviews requested		Q2-3	10	Financial delegations	Terms of reference developed and agreed, currently agreeing on site fieldwork dates
D.3			Q2-3	15	Contract management	Terms of reference developed and agreed. Fieldwork to commence when relevant information is provided.
D.4			Q3	15	Fraud awareness	Terms of reference in development

** 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.*

Progress against plan (3 of 3)



Changes to the Internal Audit Plan

We have continued to review our Internal Audit plan on an ongoing basis to ensure that it considers your risks and, where appropriate, we have proposed changes to that plan to reflect your circumstances. We have set out below the changes proposed and the rationale for each change for the Audit Committee to note.

Proposed change / additional review	Impact on planned days	Rationale for change
Tracking recommendations and follow up	-35	Now there is a governance and risk team in place at the Council it is deemed more efficient for them to follow up on outstanding recommendations and follow up.
Continuous auditing approach	-20	Following a discussion with the Governance and Risk Manager it is deemed more appropriate to undertake some detailed reviews on specific areas of risk she has identified rather than applying a light touch approach across the Council as a whole.
Financial delegations	+10	
Contract management	+15	
Fraud awareness	+15	
Overall	-15	We will continue to evaluate areas which may require additional internal audit support and use the available days to support in additional areas.



**Appendix A: Outstanding
audit actions**

**Appendix B: Internal audit -
Key performance indicators**

**Appendix C: Analysis of
days included in plan**

**Appendix D: Thought
leadership**

Appendices

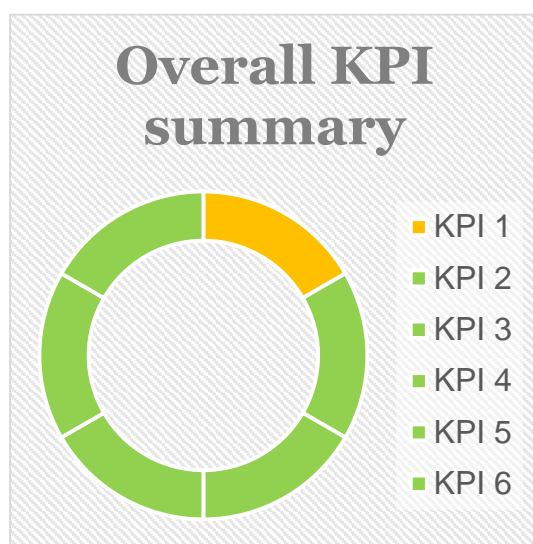
Appendix A: Outstanding audit actions

There has been a significant focus on updating the traction site to update the status of outstanding audit recommendations. The table below shows the current status of active audit reports.

Audit Year	Audit Title	Recommendation Status	Total
2012/13	Housing Rents	Closed	2
		Open	2
2013/14	Asset Management	Open	3
2014/15	Data Protection	Closed subject to verification	1
		Open	2
		Directorate Review: Regeneration, Enterprise and Planning	Closed subject to verification
		Open	3
2015/16	Scope and Effectiveness of the Section 151 Officer arrangement	Open	1
2016/17	Building Control - Planning	Closed subject to verification	3
		Economic development and regeneration	Open
Grand Total			20

When updating the traction site the Council have determined that a number of audit findings are no longer relevant owing to a change in circumstances and duration of time which has passed since the audit date. A number of audits between 2012 and 2017 have been archived. We will be reviewing the suitability of the archived status with the Governance and Risk Manager over the coming weeks.

Appendix B: Internal audit - Key performance indicators



Target fully achieved

Target achieved with minor exceptions

Target not achieved



KPI	Target	Actual results for year to date	Comments
1) Audits budgeted v actual	+/- 10 plan days	-15 days	Changes to the internal audit plan mean that there are now 15 days which are not allocated to a review; however, we intend to identify additional areas which would benefit from internal audit work and utilise these days before the year end.
2) % of audits with Terms of Reference	100%	100%	Terms of reference have been agreed for the following reviews:
3) % of audits with an exit meeting	100%	NA	No reviews are yet at a stage of being concluded.
4) Draft reports issued promptly	100%	NA	No reviews are yet at a stage of having draft reports issued.
5) Attendance at Audit Committee	100%	100%	All Audit Committees have been attended by the Head of Internal Audit and Audit Manager.
6) Overall client satisfaction score	9/10	NA	Feedback will be requested at the end of the year

Appendix C: Analysis of days included in plan

Ref	Auditable Unit	Total audit days*	Q	Audit days per Q	Audit days used to date
A					
A.1	Governance and risk management	50	Q1-2	20	5
			Q3-4	15	1
			Q3-4	5	0
A.2	Organisational change	40	Q2	10	0
			Q3-4	30	5
A.3	Financial governance	50	Q2	5	0
			Q2-4	30	0
			Q2-4	15	0
			Q2	8	0
A.4	Tracking recommendations and follow up	20	Q2	2	0
			Q2-4	10	0
			Q2-4	10	0






Ref	Auditable Unit	Total audit days*	Q	Audit days per Q	Audit days used to date
B					
B.1	Culture	30	Q2-4	23	3
			Q3	7	1
C					
C.1	IA management time	20	Q1-Q4	10	10
D					
D.2	Additional reviews requested		Q2-3	10	1
D.3			Q2-3	15	1
D.4			Q3	15	2
Total				235	29

Appendix D: Thought leadership: GDPR

EU General Data Protection Regulation (GDPR) begins in May 2018. The GDPR is creating challenges that requires action from everyone, including the NHS.

This is the largest change to data protection legislation in the last 20 years, and regulators have unprecedented power to impose fines and will require wide scale privacy changes across every organisation.

But it also represents a major opportunity to transform your approach to privacy, harness the value of your data, and ensure your organisation is fit for the digital economy. Attached below is a high level overview of GDPR:

				
Individuals	Portable and forgettable data	Transparency	Risk from third parties	Timelines and fines
<p>It puts individuals back in control of their personal data</p> <p>Customers and employees have more power to control how businesses use their data. You could be required to report on, move or dispose of personal data if requested and you must have the capabilities to do this. Your options for using personal data are restricted.</p>	<p>Data must be easily portable and forgettable</p> <p>You must be able to provide individuals with their personal data in a structured, commonly used and machine readable form. Your systems and processes will have to let you truly 'forget and delete' data upon request from the individuals including long term archives.</p>	<p>How you use data will be more transparent</p> <p>The rules on consent are getting tougher, and individuals can withdraw consent at any time. You'll be required to articulate all of the ways in which you use personal data, and make it clear to individuals what their data is being used for and who you have shared it with.</p>	<p>Third parties could put you at risk</p> <p>You will remain responsible for individuals' personal data throughout the entire data lifecycle. You will have to assure that data you pass to third parties is handled in a manner compliant with GDPR</p>	<p>Fines are getting bigger, and the timelines are getting shorter</p> <p>Fines for non-compliance can be as severe. You will be under legal obligation to notify data protection authorities within 72 hours of a data breach, and individuals without delay. You will have to keep records of your data processing activities, undertake privacy impact assessments and appoint a Data Protection Officer (DPO).</p>

Appendix D: Thought leadership: The Local State We're In 2017

Our new survey shows that councils have coped well in the face of this uncertainty in the short term, but concerns about the longer term remain high and the scale of the challenge ahead is significant. Austerity continues to be the backdrop as councils grapple with digital disruption, embracing the potential of data and analytics and developing resilience. Beyond organisational priorities, there is a growing focus on partnership working in order to deliver place based growth and public service reform. The full report can be found at: <http://www.pwc.co.uk/industries/government-public-sector/local-government/insights/local-state-we-are-in-2017.html>

Key findings:

The 'edge' feels closer

Almost a third of councils now feel that the 'cliff edge' is imminent and are not confident of their ability to deliver in the year ahead. When considering the three and five year outlooks, confidence halves and then halves again with only 16% confident that they will be able to make the necessary savings without impacting the quality of services or outcomes in the next five years.



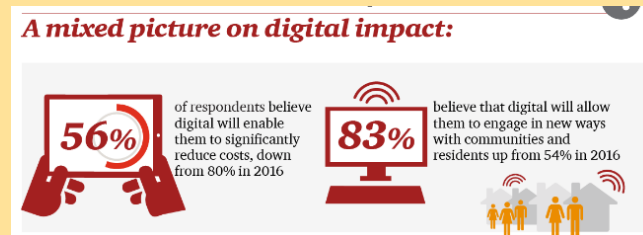
Councils are at the heart of public service reform, but it is a challenge

As councils shift their thinking towards driving public service reform across their place, six out of ten respondents agree that councils should be more responsible for facilitating outcomes rather than delivering services, yet only four in ten fully understand how to measure outcomes while only a quarter know the cost of securing outcomes across a place.

Taking the example of health and social care integration, while appetite for reform remains with 77% believing that integration will have a positive impact on health outcomes, barriers to integration are becoming apparent, with over half (54%) of respondents feeling that their council has not been fully engaged in the Sustainability and Transformation Plans (STP) process.

Significant capacity and capability gaps remain

Councils need to build organisational resilience and in particular develop new skills and commercial acumen in order to be effective. However, councils are notably under-equipped in terms of capabilities in a number of significant areas that will be essential for the effective operation of councils in the future.



Managing data and driving insight is a gap

There are specific gaps around data and analytics capabilities, with only a third (33%) of respondents confident that their council uses data analytics effectively to inform decision-making and strategy. Furthermore, councils are vulnerable to cyber-attacks with only half (53%) our respondents confident in their approach to cyber security and a third (35%) confident that their employees are well equipped to deal with cyber threats.



Local outcomes are at the heart of public sector reform



Appendix D: Thought leadership: A focus on new business and skills: How Doncaster is turning around its economic fortunes

The 2016 edition of our *Good Growth for Cities* series highlighted Doncaster as one of the fastest improving cities in the index. In this blog, we look at the initiatives put in place to bring about this improvement.

In the most recent edition of the Demos-PwC *Good Growth for Cities Index*, Doncaster was one of the top five cities showing an improvement in its score. This was driven by the largest increase in both new businesses per head and skill levels of young people seen across all of the cities covered by our analysis. Over recent years, Doncaster has directly targeted these areas with local initiatives.

Continuing Growth in new businesses

New businesses have been established within Doncaster at an increasingly rapid rate. Our analysis has found that, on average, 53 businesses were established for every 10,000 people each year in Doncaster between 2014 and 2016. This is nearly double the same figure between 2010 and 2012. The extent of this recent positive trend can be seen in Figure 1, which compares the trend in new business creation in Doncaster with that in a sample of its peers (the cities in our Index with most similar scores in 2005-07).

A local approach delivering results

So what has enabled Doncaster to generate its recent momentum? Over recent years, local initiatives have been introduced in Doncaster to develop the attractiveness of the city to business, and to improve local skills. These initiatives have coincided with significant improvements in both areas.

The 2013 launch of the [Doncaster Economic Growth Plan](#) outlined key measures to promote new business. Measures aimed to increase inward investment by improving response times to planning decisions and increasing the stock of modern industrial and office premises. Policies to support start-ups were also outlined, offering access to start-up advisors and mentors with established local businesses.

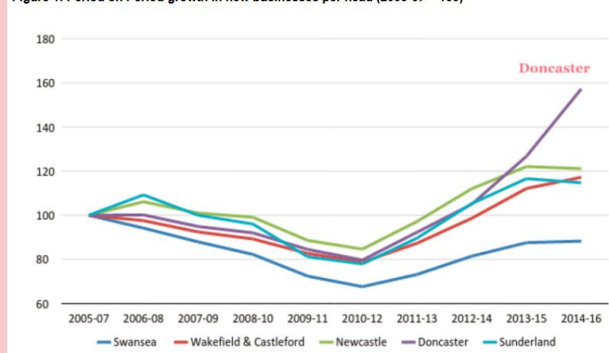
How effective has this plan been? Beyond the headline result of increasing numbers of new businesses, a 2015 review of a pilot scheme to encourage inward investment identified over **535 jobs were expected to be created, with initial investment reaching over £21 million**. This is equivalent to approximately a sixth of all jobs created in Doncaster between **2013 and 2014**.

Skills amongst young adults have also been directly targeted by Doncaster Council. For instance, 2013/14 saw the launch of the “Skills made easy” programme, supporting businesses to take on **130 new apprentices**. In 2015 the Doncaster Skills Academy was launched, enhancing work prospects for local students. These policies coincided with Doncaster achieving the largest increase of any major UK city in skills levels for 16-24 year olds in the 2016 *Good Growth Index*. Of note, skills is also a major topic for discussion at the [People’s Powerhouse Convention](#), hosted in Doncaster and addressing issues across the Northern Powerhouse.

The routes used by Doncaster to achieve economic growth are in line with the strategic priorities outlined at a national level in the recent [Green Paper on Industrial Strategy](#). Both improving skills amongst young people, and ensuring conditions to support business start-ups, innovation and growth were outlined as key pillars of this strategy and are likely to feature in the development of the proposed local industrial strategies.

Doncaster has more to do to deliver its economic transformation. But through investing in a **strong skills base** and creating a positive environment for new businesses, there is a substantial opportunity to deliver further place-based growth and improved urban wellbeing.

Figure 1: Period on Period growth in new businesses per head (2005-07 = 100)



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