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# *Internal Audit Progress Report 2017/18*

**Northampton  
Borough Council**  
November 2017

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For information:                      Audit Committee

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# Summary



## *Purpose of this report*

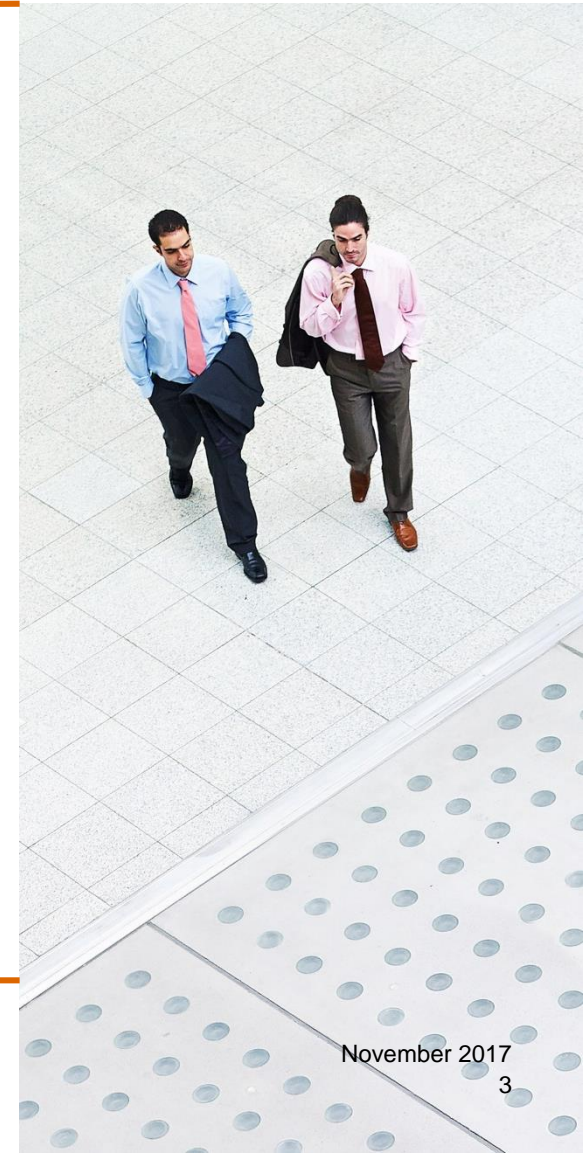
We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention any other matters that are relevant to your 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. We have continued to assess the plan to make sure it remains appropriate and some changes are proposed to the plan which are detailed later in this report.

Since our last progress report we have:

- Issued draft reports in relation to whistleblowing;
- Commenced fieldwork in the following areas: staff survey, HR, payroll, contracts management, delegations, governance and risk management; and
- Developed terms of reference and planned fieldwork in the following areas: Legal, fraud awareness, estates and assets revaluations.



## Activity in the period



### Activities in the period

We have held a number of meetings since our last progress report to the Audit Committee. These include:

- Governance & Risk Manager and LGSS Strategic Finance Manager;
- HR Strategic Partner;
- Leader of the Council; and
- Interim Chief Executive.

These have supported our ongoing review of the Internal Audit Plan to ensure it remains appropriate.

### 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 continued to provide ongoing project governance processes and shared comments on the process currently being undertaken by the Council.

**Leadership structure workshop** – we delivered a workshop on leadership structures to the Senior Management Team and Cabinet members to consider the future structure of the organisation’s leadership team.



## 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	40	Q1-2	20	Risk Management Strategy	We have reviewed a second draft of the revised risk management strategy and provided our feedback with a view towards finalising the document. Once completed we will use the remaining days to address the other aspects of the agreed terms of reference.
			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	Fieldwork completed for HR and payroll and we are in the process of drafting a report. Dates to be agreed for onsite fieldwork relating to the legal review.
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	No progress to report – agreed these would be on hold whilst we prioritise other reviews in the IA plan
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	A staff pulse check has been shared with all staff members which closed on 1 November. We are in the process of analysing results and will share these with officers shortly.
			Q3	7	Whistleblowing	We have provided a draft report to officers and are awaiting comments.
C						
C.1	IA management time	20	Q1-Q4	10		
D						
D.2	Additional reviews requested		Q2-3	10	Financial delegations	Onsite fieldwork currently underway.
D.3			Q2-3	15	Contract management	Onsite fieldwork currently underway.
D.4			Q3	15	Fraud awareness	Terms of reference developed and agreed, currently awaiting confirmation of how many workshops are required
D.5			Q3	15	Estates and assets revaluations	Terms of reference developed and shared in a draft format.

*\* 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
Balance reported in our previous Audit Committee report	-15	
Estates and assets revaluations support	15	The Governance and Risk Manager has asked for our support in reviewing and testing the effectiveness of updated policies and procedures in relation to revaluations in anticipation of the March 2018 year end.
Total	0	



**Appendix A: Outstanding  
audit actions**

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

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

**Appendix D: Thought  
leadership**

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# *Appendices*

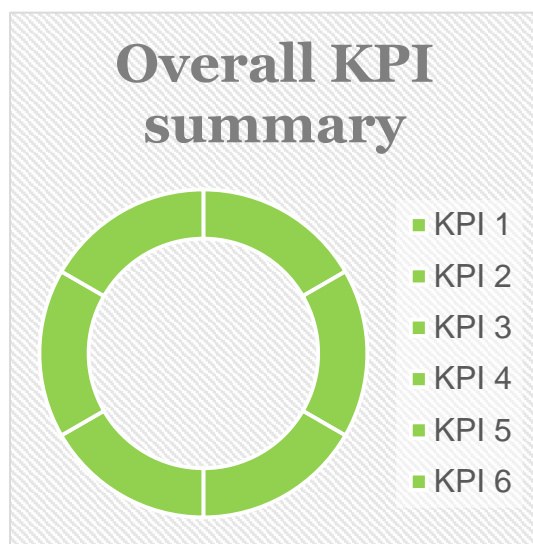


## Appendix A: Outstanding audit actions

The table below shows the number of audit recommendations currently open. These are being monitored by the Risk and Governance team.

Audit Year	Audit Title	Total open findings
2014/15	Data Protection	3
2016/17	Economic development and regeneration	2
	Food Standards Agency	4
	Housing options	6
	Key financial systems	4
	Licensing	1
Grand Total		20

## 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	0	Although we have removed some reviews these have been replaced so that the planned audit days is consistent with the original number of audit days included in the plan.
2) % of audits with Terms of Reference	100%	100%	Terms of reference have been developed for all planned audits.
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%	100%	Draft reports have been issued as detailed in the main body of the report
5) Attendance at Audit Committee	100%	100%	All Audit Committees where IA have been invited have been attended by the Head of Internal Audit or 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	40	Q1-2	20	22
			Q3-4	15	1
			Q3-4	5	0
A.2	Organisational change	40	Q2	10	0
			Q3-4	30	18
A.3	Financial governance	50	Q2	5	0
			Q2-4	30	0
			Q2-4	15	0
			Q2-4	10	0
A.4	Tracking recommendations and follow up	20	Q2	8	0
			Q2	2	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	17
			Q3	7	6
C					
C.1	IA management time	20	Q1-Q4	10	16
D					
D.2	Additional reviews requested		Q2-3	10	5
D.3			Q2-3	15	4
D.4			Q3	15	3
D.5			Q3	15	1
Total				250*	93

\* Some of the reviews in the original plan have been removed and replaced by the additional reviews requested. These are detailed in the main body of the report

## Appendix D: Thought leadership

### Growth, place or people: the housing association of 2022

The UK has a national housing challenge incorporating affordability, supply and social considerations. Recognising that housing associations can't be all things to all people, we have imagined three housing delivery imperatives and the types of association that will need to be part of the sector-wide response.

We ask the questions: Which type of HA are you, how ready are you to execute your choice and what does that mean for the way you currently operate?

#### *Growth focused – we build.*

**Combining financial strength, commercial innovation, and supply chains to build at scale.**

**Driving Goal:**

Maximising the capacity and capability to deliver more homes where they are needed.

**How to compete:**

Building internal capacity and skills to rapidly grow the existing and future pipeline complemented by effective partnering with peer organisations, lenders, investors and the wider supply chain, exploring new business and partnership models, innovative investment vehicles, and merger to do this.

**Key success measure:**

Number of new homes



#### *Place-shaping: we create.*

**Using local strategy, multi-disciplinary teams, and partnerships to create sustainable infrastructure and communities.**

**Driving Goal:**

Positively transforming an area for the benefit of the local community through joined-up delivery planning and delivery.

**How to compete:**

Engaging at a local level with government, business and other infrastructure and service providers to plan, design and deliver development and management approaches that align to place-based need.

**Key success measure:**

Improvement in the physical fabric and socio-economic performance of a local area.

#### *People-focused: we enable.*

**Part of a network that brings together investment, landlord services, and skills to enable inclusion, independence, and opportunity.**

**Driving Goal:**

Maximising life chances for individuals through the provision of homes and services.

**How to compete:**

A workforce – direct or provided in partnership – with the right capacity, skills, and commitment to provide services that can enable individuals to become independent while also ensuring homes and estates are well managed.

**Key success measure:**

High levels of positive engagement with customers  
Improvement in life chances of customers



Read the full report at:  
<https://www.pwc.co.uk/industries/government-public-sector/local-government/insights/growth-place-or-people-the-housing-association-of-2022.html>

## Appendix D: Thought leadership

### Global State of Information Security® Survey 2018

Across the globe, businesses are racing to implement new technologies, using data to innovate and grow in an increasingly inter-connected world. Organisations face disruption from new market entrants, emerging technology and an ever-changing threat landscape. To compete in the digital world, they must recognise and protect themselves from cyber risks and build resilience to cyber shocks - large-scale events with disruptive consequences.

Our Global State of Information Security® Survey is based on interviews with 9,500 business and technology executives from 122 countries, including 560 UK respondents.

#### Business impact

There's no doubt that the impact across a business from a cyber attack is severe. More than a quarter of businesses (28%) don't know how many cyber attacks they've had and a third don't know how they happened.

Although the average total financial cost of incidents decreased this year to £857,000, the impact of breaches was felt more widely across both business operations and data.

#### Business readiness

Despite the impact on a business from an attack, nearly one in five respondents (17%) say their organisation doesn't prepare or drill for cyber attacks.

Less than half (49%) conduct penetration tests to examine their defences. And less than half (44%) have a cyber insurance policy in place to cover the various impacts of breaches.

The majority of UK organisations surveyed (64%) have an overall security strategy in place and 53% agree that spending of their information security budget is based exclusively on risk. However, only 34% have boards actively participating in the strategy, compared to the global average of 44%.

#### Recovery time

Average impact faced by businesses following an attack.



Source: PwC GSISS 2018



You can read more at:

<http://www.pwc.co.uk/issues/cyber-security-data-privacy/insights/global-state-of-information-security-survey.html>

## Appendix D: Thought leadership

### The local vantage: how views of local government finance vary across councils

Local government finance in England in the 2010s can be characterised by two major trends: large (albeit varying) cuts to council budgets; and a shift from centralised redistribution of funding towards a greater emphasis on fiscal incentives for revenue growth, most notably via the introduction and potential extension of the business rates retention scheme (BRRS).

It is in this context that this report, jointly written by researchers at the Institute for Fiscal Studies (IFS), the Local Government Information Unit (LGIU) and PwC, looks at how the views of councils' decision-makers relate to the characteristics of the councils they represent or work for. In particular, we focus on views in two key areas: the quality of service provision; and the impact and design of the BRRS. Such an analysis allows us to examine whether perceptions of two key issues differ systematically between areas with different financial, political and socio-economic characteristics.

#### Key findings

- Almost nine-in-ten respondents say that service quality was maintained or improved in 2016–17, despite cuts.
- Views on likely changes in service quality in 2016–17 and 2017–18 are unrelated to either a council's level of revenues per capita or the scale of recent cuts to its revenues per capita.
- Larger falls in revenues are associated with less confidence about likely service quality in the medium term (2019–20).
- Two-thirds of survey respondents say that it is impossible to work out whether their council has gained financially from the current BRRS.
- Respondents from councils that we estimate have relatively gained from the existing BRRS are more optimistic about the local impact of a 100% BRRS.
- Those expecting to gain from a 100% BRRS are also more likely to say that such a scheme would provide an incentive to councils more generally to promote economic growth.
- Conservative-run councils and those with lower levels of spending need are more likely to favour prioritising financial incentives over redistribution in the design of the 100% scheme, than Labour-run councils and those with higher levels of spending need.

Taken together, the findings demonstrate and reflect some of the key challenges facing local and national government: substantial budget cuts, combined with rising demands for key services; and difficulties in developing a funding regime that can command widespread support across councils, when there are systematic differences in preferences over issues such as the appropriate roles of redistribution and financial incentives.

Read the full report at: <https://www.ifs.org.uk/publications/9731>

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