

INTERNAL AUDIT ANNUAL PLAN

NORTHAMPTON BOROUGH COUNCIL

2020/21

IDEAS | PEOPLE | TRUST



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AUDIT RISK ASSESSMENT

Background

Our risk based approach to Internal Audit uses the Council's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects Northampton Borough Council's current risk profile.

Planned approach to internal audit 2020/21

The indicative Internal Audit programme for 2020/21 is shown from page 4. We have met with all Heads of Service and a draft version of the plan has been approved by Corporate Management Board (CMB) and we will meet with the Audit Chair in order to bring together a full plan which will be presented at the March Audit Committee. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a single year approach to internal audit planning as it is expected that Northampton Borough Council will be part of the West Northamptonshire Unitary Council by next year. In setting the number of days in the plan we have assumed that the control environment within the Council will improve as we work with you to address the issues you have.

Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required we will obtain approval from the appropriate Head of Service prior to commencing fieldwork.

In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff.

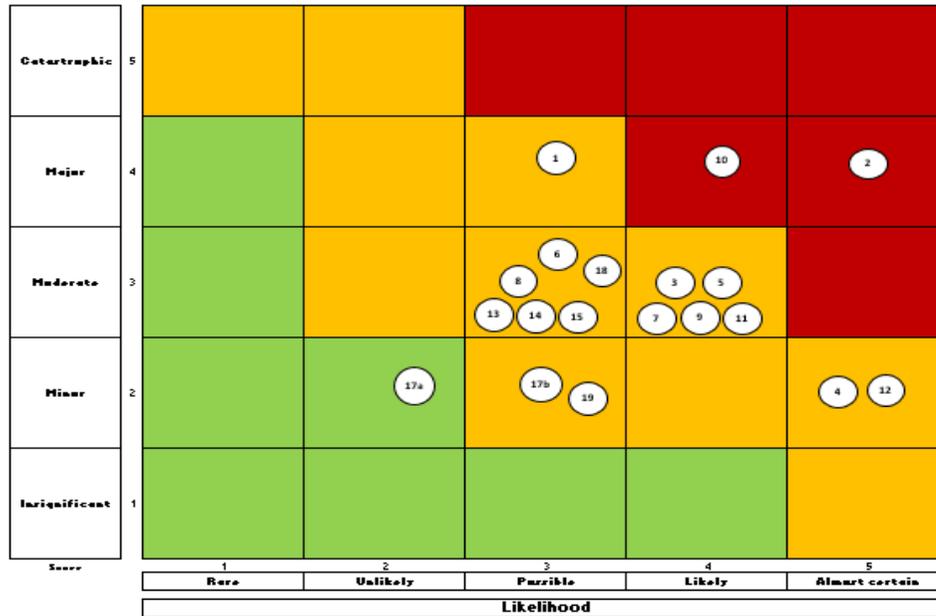
Variations to the Plan

We review the three year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we are undertaking, demonstrating we are focussing on your most important issues.

As such our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Heads of Service.

MAPPING YOUR RISKS 2020/21

The table below shows the audit number in the 2020/21 plan mapped



- Risks**
1. Failure to deliver a balanced budget.
 2. Insufficient clarity around Member and Officer roles.
 3. Inadequate succession planning and staff retention.
 4. Inability to meet and manage the demands of homelessness.
 5. Failure to manager or failure to deliver or expose new risks as a result of poor project management practice.
 6. Legal obligations under GDPR are breached.
 7. Plans for improving the economic prosperity and regeneration of Northampton are not delivered.
 8. NBC fails to manage its partnerships (LGSS, NPH, NLT).
 9. Major or large scale incident causes business interruption.

- Risks**
10. Impropriety or improper business activities leading to fraud or malpractice.
 11. Decisions made at Council or Cabinet level are not robust to withstand legal challenge..
 12. Inability og IT to service future requirements due to cyber attack.
 13. Non-compliance with Fire and Health & Safety legislation.
 14. Safeguarding arrangements are not adequate to protect vulnerable adults and children.
 15. Failure to deliver enough new housing.
 16. REMOVED: LGR risk
 - 17a. Impact of Brexit on NBC services.
 - 17b. Impact of Brexit on Northampton economy.
 18. NEW RISK: Climate change.
 19. NEW RISK: Loss of LGSS services

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Risk	Audit in 2020-21 plan	Risk	Audit in 2020-21 plan	Risk	Audit in 2020-21 plan
Risk 1	Treasury Management Capital Projects	Risk 6	-	Risk 14	HMO Licensing & Enforcement Licencing
Risk 2	Capital Projects	Risk 8	Northampton Partnership Homes (NPH) Service Level Agreement	Risk 15	Use of Volunteers (Nightshelter) Social Lettings Agency
Risk 4	Use of Volunteers (Nightshelter)	Risk 10	Gifts and Hospitality	Risk 18	Climate Emergency (Environment)
Risk 5	Capital Projects	Risk 11	Corporate Plan Progress Unitary		

INTERNAL AUDIT OPERATIONAL PLAN 2020/21

Area	Days	Timing	Risk Register Reference and colour coded per your register	Description of the Review	Reason for Inclusion
2020/21					
HMO Licensing & Enforcement	20	Q2	14	<ul style="list-style-type: none"> Assess how the Council are managing and promoting licensing for HMOs and how licenses are allocated to private rented housing landlords Review how the HMO enforcement department enforce local standards and manage cases of non-compliance Review the collection of civil penalties and assess whether the Council are undertaking appropriate measures to collect income 	<ul style="list-style-type: none"> Discussions with senior management raised this area that should be addressed as part of the internal audit plan The Council have a statutory duty to ensure HMO's are licensed and penalties are enforced to uphold legislative responsibilities
Licensing	10	Q2	14	<ul style="list-style-type: none"> This is linked but separate to the review above Review procedures for issuing licenses and assess whether they are compliant with regulatory requirements Sample test licenses issued with an emphasis on taxi licenses 	<ul style="list-style-type: none"> Discussions with senior management raised this as an area of risk Corporate risk register identifies licencing as part of the safeguarding risk regarding the Council's duty owed to vulnerable adults and children
Climate Emergency (Environment)	12	Q3	18	<ul style="list-style-type: none"> Assess the Council's arrangements for managing climate change/reducing emissions in the Borough from a corporate level (high level) Compare Council's arrangements to other authorities that have declared a climate emergency 	<ul style="list-style-type: none"> The Council have recently declared a climate emergency This is a high risk across local authorities based on current public views and the growth of groups such as Extinction Rebellion
Treasury Management	15	Q3	1	<ul style="list-style-type: none"> Review treasury management strategy and scheme of delegations in place for approvals of 	<ul style="list-style-type: none"> The risk of delivering a balanced budget is a high inherent risk on the corporate risk

				<ul style="list-style-type: none"> treasury management processes We will review the monitoring of treasury management performance by management 	<ul style="list-style-type: none"> register Financial management is a key risk in local government following large funding cuts in recent years from central government 	
Northampton Partnership Homes (NPH) Service Level Agreement	20	Q1	8	<ul style="list-style-type: none"> We will review the Council's communication and interaction with NPH as well as the effectiveness of the monitoring of the SLA We will review the information that the Council receive from NPH and assess whether it is adequate We will review the SLA to the Articles of Association 	<ul style="list-style-type: none"> NPH provide a number of the Council's key services including building homes and managing the HRA account Discussions with senior management raised this area that should be addressed as part of the internal audit plan Management of contractual partnerships with NPH and other partners are a moderate risk on the risk register 	
Use of Volunteers (Nightshelter)	12	Q2	4, 15	<ul style="list-style-type: none"> We will review the Council's plans to ensure effective management of the nightshelter only We will assess the adequacy of the use of volunteers and whether they have had appropriate checks We will assess whether the volunteers are provided with appropriate training and whether the reliance on volunteers to manage the nightshelter is adequate 	<ul style="list-style-type: none"> Discussions with senior management raised this area that should be addressed as part of the internal audit plan 	
Capital Projects	15	Q3	1, 5	2	<ul style="list-style-type: none"> We will take a deep dive into the Delapré Abbey and Museums projects to assess whether they were managed adequately We will deploy a project management specialist to assess whether the projects as a whole were managed effectively 	<ul style="list-style-type: none"> Discussions with senior management raised this area that should be addressed as part of the internal audit plan These have been major capital projects for the Council which have suffered either budget or time overruns
Gifts and Hospitality	12	Q1	10	<ul style="list-style-type: none"> Review the robustness of the Council's policies for declaring any gifts or policies received We will assess whether the Council's policies on gifts and hospitalities ensure that they are 	<ul style="list-style-type: none"> Discussions with senior management raised this area that should be addressed as part of the internal audit plan 	

				not susceptible to bribery	
Corporate Plan Progress	15	Q1/2	11	<ul style="list-style-type: none"> Review the updated Corporate Plan against the Council's actions We will assess the adequacy of performance against the KPIs 	<ul style="list-style-type: none"> This review was originally planned for the 2019/20 plan but due to a delay in the update of the Corporate Plan it has been re-scheduled to 2020/21
Social Lettings Agency	15	Q2		<ul style="list-style-type: none"> Review how the Council identifies empty properties Assess the up-take of the Deposit Bond Scheme and whether the Council are effectively utilizing this to reduce the number of empty properties 	<ul style="list-style-type: none"> Discussions with senior management raised this area that should be addressed as part of the internal audit plan
Unitary	27	All	11	<ul style="list-style-type: none"> We will support the Council on Unitary plans and advisory work requested from the Council are vesting day approaches 	<ul style="list-style-type: none"> This is the largest change facing the Council and will have a significant impact on its delivery of services The Council have requested that we save days in the audit plan for Unitary work
Management Time	20	All	All	This includes all planning, liaison and management of the Internal Audit contract including preparation of internal audit opinion and attendance at all Audit Committees	
Follow Up	7	All	All	BDO will follow up on all Medium and High recommendations made and report these to the Audit Committee. This will be completed prior to each Audit Committee	
Total	200				

N.B deliberately no reviews have been timed for Q4 due to pending Unitary status. Our approach is to bring forward the reviews in the Plan into 3 quarters.

INTERNAL AUDIT ALTERNATIVE REVIEWS 2020/21

These reviews were discussed as part of our planning process however they have not been included in the final plan. They are included here for information:

Review Title	Description of the Review	Reason for Exclusion
Community Grants	<ul style="list-style-type: none"> We will assess whether grants such as Partnership Grants, Small Grants Fund, and the Councillor Community Grant are administered within accordance with policy guidance Assess whether there is adequate monitoring of grants and the way in which funds are spent 	<p>These have all been excluded as due to priority in the year leading up to Unitary there are not enough days so based on prioritisation these reviews have been removed.</p>
Planning Enforcement	<ul style="list-style-type: none"> Review the Council's strategy to planning enforcement We will review whether the Council have adequate arrangements to manage planning enforcement and whether enforcement officers are investigating cases where building work has been carried out without planning permission 	
Town Centre Management	<ul style="list-style-type: none"> We will review the market strategy in place at the Council and assess whether there are adequate controls to ensure that income is collected from the markets We will review the management of the car parks, including whether prices are set for car parking with adequate overview We will review whether there are adequate arrangements to enforce civil penalties in town centre operations 	
Case Management	<ul style="list-style-type: none"> We review the processes around how the legal team manage and prioritise legal cases brought to them Assess case management processes against best practice 	

For reference the table below shows the reviews in the 2018-19, and 2019-20 plans.

2018-19	2019-20
Audit 1. Senior Management Restructure	Audit 1. Planning Service + S106
Audit 2. Member Officer Relationship	Audit 2. Safeguarding
Audit 3. Corporate Fraud	Audit 3. Enterprise Zone (Economic Growth)
Audit. 4 Temporary Accommodation	Audit 4. Contract Management
Audit 5. Housing Rents	Audit 5. Corporate Plan Progress
Audit 6. Major Capital Projects	Audit 5. Asset Management
Audit 7. People	Audit 6. Health and Safety
Audit 8. Building control	Audit 7. GDPR
Audit 9. Cash Handling	Audit 8. Cyber
Audit 10. Procurement	Audit 9. Disabled Facilities Grant
Audit 11. Digital Strategy	

APPENDIX I

Internal Audit Charter - Role and Scope of Internal Audit

Purpose of this charter

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Northampton Borough Council and defines the scope of internal audit activities.

Final approval resides with the Board, in practice the charter shall be reviewed and approved annually by management and by the Audit Committee on behalf of the board of Northampton Borough Council.

Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

Internal audit definition and role

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

Internal audit's scope

The scope of internal audit activities includes all activities conducted by Northampton Borough Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

Effective internal audit

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Northampton Borough Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, in order to ensure that you have certainty around the fees you will pay us.

Independence and internal audit's position within Northampton Borough Council

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee. The Head of Internal Audit reports administratively to the Director of Finance who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Northampton Borough Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Audit Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit Committee to discuss the implications.

Internal audit's role in fraud, bribery and corruption

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspect a fraud, this will be referred to appropriate management in the first instance and then the audit committee.

Access to records and confidentiality

There are no limitations to internal audit's right of access to Northampton Borough Council officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

Coordination and reliance with other assurance providers

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

Internal audit's commitments to Northampton Borough Council

Internal audit commits to the following:

- working with management to improve risk management, controls and governance within the organisation
- performing work in accordance with PSIAS
- complying with the ethical requirements of PSIAS
- dealing in a professional manner with Council staff, recognising their other commitments and pressures
- raising issues as they are identified, so there are no surprises and providing practical recommendations

- liaising with external audit and other regulators to maximise the assurance provided to Northampton Borough Council
- Reporting honestly on performance against targets to the Audit Committee.

Internal audit performance measures and indicators

The tables on the right contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

Quality assurance and improvement programme

As required by PSIAS an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Audit Committee as part of the internal audit annual report, along with corrective action plans.

Table One: Performance measures for internal audit

Measure / Indicator
<p><i>Audit Coverage</i></p> <p>Annual Audit Plan delivered in line with timetable</p> <p>Actual days are in accordance with Annual Audit Plan</p>
<p><i>Relationships and customer satisfaction</i></p> <p>Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.</p> <p>Annual survey to Audit Committee to achieve score of at least 70%</p> <p>External audit can rely on the work undertaken by internal audit (where planned)</p>
<p><i>Staffing and Training</i></p> <p>At least 60% input from qualified staff</p>
<p><i>Audit Reporting</i></p> <p>Issuance of draft report within 3 weeks of fieldwork `closing` meeting</p> <p>Finalise internal audit report 1 week after management responses to report are received.</p>

90% recommendations to be accepted by management

Information is presented in the format requested by the customer.

Audit Quality

High quality documents produced by the auditor that are clear and concise and contain all the information requested.

Positive result from any external review

Management and staff commitments to Internal Audit

The management and staff of Northampton Borough Council commit to the following:

- providing unrestricted access to all of Northampton Borough Council's records, property, and personnel relevant to the performance of engagements
- responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- implementing agreed recommendations within the agreed timeframe
- being open to internal audit about risks and issues within the organisation
- not requesting any service from internal audit that would impair its independence or objectivity
- providing honest and constructive feedback on the performance of internal audit

Management and staff performance measures and indicators

The following three indicators are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Audit Committee progress report.

Table Two: Performance measures for management and staff

Measure / Indicator

Response to Reports

Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt

Implementation of recommendations

Audit sponsor to implement all audit recommendations within the agreed timeframe

Co-operation with internal audit

Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-

operation has been provided by management and staff

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