

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held at The Jeffrey Room,
The Guildhall, St. Giles Square, Northampton, NN1 1DE on
Monday, 18 March 2019 at 6:00 pm.

George Candler
Chief Executive

AGENDA

1. APOLOGIES
Please contact Democratic Services on 01604 837722 or democratic services@northampton.gov.uk when submitting apologies for absence.
2. MINUTES
3. DEPUTATIONS / PUBLIC ADDRESSES
4. DECLARATIONS OF INTEREST
5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED
6. EXTERNAL AUDIT UPDATE
 - KPMG 2017/18 draft accounts
 - EY 2018/19 audit and accounts preparation
7. INTERNAL AUDIT PROGRESS UPDATE AND 2019/2020 PLAN
 - BDO
 - LGSS
8. FINANCIAL MONITORING REPORT
9. GOVERNANCE REPORT INCLUDING CORPORATE RISK REGISTER
10. EXCLUSION OF PUBLIC AND PRESS
THE CHAIR TO MOVE:
“THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT.”

Agenda Item 2

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 28 January 2019

PRESENT: Councillor Orrell (Chair); Councillor Oldham (Deputy Chair); Councillors M Markham, J Hill, Marriott and Stone

APOLOGIES: There were none.

2. MINUTES

The Minutes of the meeting held on 26 November 2018 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

Notification was received from Mr Hoare who spoken on Item 6.

Mr Hoare raised concerns regarding the adequacy of the budget consultation and the risk regarding non-delivery of financial targets set out in the Budget and Medium Term Financial Plan (MTFP). Less than half of the efficiency savings approved in February 2018 had been achieved with the remainder added back into the budget. This approach did not promote confidence.

No information was available on how the savings attributed to the Car Parking Scheme Review would be achieved.

4. DECLARATIONS OF INTEREST

Councillor Marriott declared a disclosable non-pecuniary interest because he was a trustee of 78 Derngate.

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

6. RISK REVIEW OF THE 2019/20 BUDGET

The Chief Finance Officer expanded on the report saying the budget was a costed plan in which assumptions had been made. £1m had been added to the Temporary Accommodation budget. The budget didn't contain many aspirations due to the impending change to the local government structure of the county and limited resources. An assumption had been made around the business rates income however mitigations were in place should this not be realised.

The previous Cabinet meeting had received a report regarding overspends, which was largely due to funding Temporary Accommodation for the homeless. He felt the known risks within the budget were manageable however there was contingency to manage the unknown.

In response to questions asked the Chief Finance Officer confirmed that local pay agreements were in operation at the Council. The Council had a corporate risk register and the Council's reserves mitigated the risks. Regardless of the impending change to local government structure the Council had to set a balance budget and have a MTFP. Any remaining reserves would be inherited by the Unitary Authorities once they took effect. He

was content that the Council had a healthy level of general reserves however like all local authorities' efficiencies would be sought where possible.

In response to further questions the Chief Finance Officer explained that the Parish Council grants and precept had to be listed in the accounts even though the funding once received was paid straight out again. The Business Rate pilot scheme was being discussed by all authorities' in the County. Most of the funding received could be used against the costs of transformation to unitary authorities however this needed to be confirmed.

In response to a question the Chief Finance Officer explained that the impact of the loan to Northampton Town Football Club would have no impact on next year's budget. The Sixfields reserve was being created to manage the risks. The Chair indicated that the Committee should have oversight of this and any associated risks.

In response to questions the Chief Finance Officer indicated that further information on the Car Parking Scheme Review, the Reduced Training Budget and the Environmental Services Contract Review savings proposals should be sought from the relevant Cabinet Members and would be published in due course.

The Chief Finance Officer clarified that the role of Overview and Scrutiny was to consider budget proposals in more detail. The role of the Audit Committee was to ensure that the budget demonstrated a risk-based approach. All members were able to attend the Overview and Scrutiny sessions where more detail was provided around some of the budget proposals.

The proposal regarding restructure of the Housing Options and Advice Team would go ahead, and details would be presented to Cabinet in due course.

Members said there was a need to be clear on the risks and what was achievable around a proposal to ensure the mistakes of the past were not repeated.

The Chief Finance Officer explained that the Eleanor Cross proposal was an in-year proposal so would not feature in next year's budget proposals and St James Link Road was not included in the current draft capital budget.

Councillor Markham stated she was a Director at NPH and asked why Horizon House was not included in the draft capital list. The Chief Finance Officer said it was a draft budget and NPH had withdrawn from NBC constructing the offices.

The Council was looking to use new homes as temporary accommodation in the future however proposals still needed to be developed. Market research had been conducted to determine the new schemes however they would only be included if there was funding or demand.

In response it was clarified that new meters had been installed at the traveller's site therefore there were annual maintenance costs to be accounted for and the Council would seek to recover those costs

RESOLVED that: The Audit Committee considered issues in relation to risk within the budget proposals for 2019/20.

7. STATEMENT OF ACCOUNTS 2016/2017

The Chief Finance Officer thanked his officers for their hard work during the year. Getting to this point had been a long journey and he clarified that the delay did not represent any risks

to the tax payer, it was due to errors in the technical account treatment which had been exasperated by staff turnover. The accounts were the same as presented to the Committee in June and September 2017 therefore the focus would be on the bridging document that explained the changes and the external auditors view.

Appendix two listed the table of changes which were mainly due to the asset valuation change that had impacted other areas of the accounts.

In response the Chair said the Chief Finance Officer would present a report in March 2019 that covered the lessons learned from this audit and staff resources.

The External Auditors was pleased to present the final ISA260. Many of the issues were due to interim staff not taking responsibility or acting on advice given. There was no excuse for this and it should have been managed better by the authority at the time. He welcomed the early discussions on the 2019/20 budget proposals. They were going to be issuing an unqualified audit opinion on the Authority's 2016/17 financial statements but will not issue the certificate due to the outstanding work regarding the Northampton Town Football Club (NTFC) loan.

They now had the closing balances for the 2016/17 accounts and opening balances for the 2017/18 accounts. They had confidence in the current finance team to produce reliable working papers for the 2017/18 accounts.

The External Auditors highlighted that both his team and the LGSS Finance team had been working ridiculous hours to achieve this. There was lots of work to be done before they could hand over the audit work to EY.

The External Auditors noted that the adverse value for money (VFM) conclusion was predominantly due to the circumstances around the loan to NTFC. There were risks regarding the Governance action plan and NTFC loan and the wider loans system.

In response the External Auditors confirmed that the audit fees would be in excess of £300,000 but would be subject to PSAA approval.

Concerns were raised regarding capacity issues and the use of interim staff and whether or not the contracts management and variations were covered under the governance action plan. In response the External Auditors indicated that that was a wider remit than they covered however the Audit Plan for 2017/18 looked at the arrangements the Authority had in place for contract management and monitoring.

In response the Chief Finance Officer clarified that the Authority's processes around fraud were tight and due diligence was carried out. The Authority was not at any greater risk of fraud than others.

In response the Chief Finance Officer explained that many of the changes to the accounts were due to the valuations of HRA housing stock. The External Auditors added that the loss of the in-house property team along with incorrect valuations being received had created the issues around asset valuations.

The External Auditors noted there were twelve recommendations, six were high priority. Most of them had been accepted by the Authority making it easier to progress to the 2017/18 audit. Adopting the recommendation to conduct a financial closedown at the end of every month would put the Authority in a stronger position in the future. They had lowered the materiality due to it being a higher risk audit.

They returned to the audit fees which had been listed in as much detail as possible to ensure transparency and a detailed breakdown had been provided to officers. They had received two elector questions.

The report also contained a copy of the letter to the previous permanent S151 officer detailing why the audit had been stopped. They were now in a position where they were happy to sign off the 2016/17 accounts with an adverse conclusion.

In response the External Auditors explained that the impact of the loss of the loan and the need to test the governance processes in place could lead to a potential adverse conclusion on the 2017/18 accounts however it was too early to predict.

In response the External Auditors indicated it was good that the loss of the loan to NTFC had been raised. The decision was taken on information provided by the previous permanent S151 officer, Chief Executive, Transformation Director and the previous Leader, that was incorrect and incomplete. They hoped to conclude their work in this area within the next three months.

The Chair express cautious optimism for the 2017/18 audit of the accounts and hoped for a further update on this in March 2019 along with a report from Internal Audit of progress made.

RESOLVED: That the Audit Committee:

- 1. Noted the changes made to the Statement of Accounts for 2016/17 following the conclusion of the external audit by KPMG;**
- 2. Approved the Statement of Accounts for 2016/17; and**
- 3. Noted, that the delay in delivering the accounts related primarily to technical accounting, asset valuation and information presentation issues. It did not impact on the funding and financial sustainability of the Council or its prime financial controls and governance.**

The meeting concluded at 8:00 pm



External Audit: Progress Report

Northampton Borough Council

March 2019

March 2019 Progress report

Summary of work performed since January 2019

Since the last Audit Committee meeting in January 2019 we have:

- Completed the 2016/17 audit. This included:
 - Issuing an unqualified accounts audit opinion;
 - Issuing a qualified VFM conclusion;
 - Issuing the 2016/17 Annual Audit Letter; and
 - Agreeing a fee variation of £196,466 with the Authority to cover the cost of the additional audit work required in 2016/17. PSAA has not yet approved the request.
- Revised our audit plan with finalised 2016/17 figures and revised materiality. See Appendix 1 for new materiality levels.
- Begun additional work over the Authority’s IT systems to support the 2017/18 audit. This included work over the Real Asset Management system outside the previous timelines and top up testing over Agresso.
- We have received the Authority’s valuation reports from Bruton Knowles covering Council Dwellings and GVA covering other fixed assets including Other Land and Buildings and Investment Properties. Our KPMG expert has completed their review and we are following up on queries with the Closedown team.
- We have substantially completed our work over the Pensions liability, one of our significant risk areas.
- We have liaised with the auditors of Northampton Partnership Homes and are due to review their file in March 2019.
- Completed the work on the following grants and other returns:
 - Housing Benefits Grant Claim 2017/18 – the claim was certified on 29 November 2017. The certified claim and Qualification Letter was sent to the Department for Work and Pensions in advance of the deadline.
 - Pooling of Housing Capital Receipts Return 2017/18 – our assurance report on the return was submitted to the Department for Communities and Local Government on 11 January 2019, in advance of the deadline.
- Continued to liaise with managers at the Council and monitor the Council’s financial position and performance and other sector developments.

We ask the Audit Committee to note this progress report.

Contacts

The key contacts in relation to our audit are:

<p>Andy Cardoza <i>Director</i> Tel: 07711 869957 andrew.cardoza@kpmg.co.uk</p>	<p>Dan Hayward <i>Senior Manager</i> Tel: 07776 101412 daniel.hayward@kpmg.co.uk</p>
<p>Katie Scott <i>Manager</i> Tel: 07468365923 katie.scott@kpmg.co.uk</p>	<p>Clementine Macliver <i>Assistant Manager</i> Tel: 07468 750427 clementine.macliver@kpmg.co.uk</p>

Appendix 1: Audit Planning

We have set out below the headlines for the 2017/18 audit planning that were previously communicated to you in our *External Audit Plan 2017/18* in November 2018. This year, 2017/18, will be our last year as your external auditors.

Since the publication of the 2016/17 Financial Statements, there have been no significant changes in the scope of the audit or the profile of risks. However, timelines and materiality have been updated.

Below are the key messages for Audit Committee.

Headline	Position
Scope and responsibilities	<ul style="list-style-type: none"> — There are no changes in regards to our accounts opinion and Value for Money Conclusion responsibilities. — We work to the National Audit Office (NAO's) Code of Audit Practice. There are no immediate changes to our work.
Materiality	<ul style="list-style-type: none"> — Our <i>External Audit Plan 2017/18</i> reported a materiality of £1.3m for the Authority against a benchmark of £260.8m. The published Authority accounts had Gross Expenditure of £195.8m. — Materiality was reported at 0.5% of Gross Expenditure resulting in an updated materiality of £0.975m (£1.4m previously reported) for the Authority financial statements as a whole for 2017/18. — All misstatements above £45,000 will be reported to Audit Committee. All individual differences below this threshold will be considered trivial. — Materiality of the Group Accounts remains at £1.4m.
Timeline	<ul style="list-style-type: none"> — We expect to carry out our final accounts for 2017/18 in for three weeks commencing 11 March 2019. This will include additional work over controls as top up testing procedures.
Significant accounts risks and other areas of audit focus	<ul style="list-style-type: none"> — We reported the following significant risks in our <i>External Audit Plan 2017/18</i>: <ul style="list-style-type: none"> — Valuation of Council Dwellings; — Valuation of Other Land and Buildings; — Valuation of Investment Properties; and — Pension Liabilities. — At this stage of the audit these risks remain unchanged.
Significant VFM conclusion risks	<ul style="list-style-type: none"> — We reported the following significant VFM risks in our <i>External Audit Plan 2017/18</i>. <ul style="list-style-type: none"> — Governance Action Plan; — NTFC loan and the wider loans system;; — Financial resilience in the local and national economy; — Off-payroll working through an intermediary (IR35); and — Chief Executive payment. — At this stage of the audit these risks remain unchanged.

(continued overleaf)

Appendix 1: Audit Planning (cntd.)

Headline	Position
Audit fee	<ul style="list-style-type: none"> — The scale fee for the 2017/18 audit is £80,775 (£80,775 in 2016/17 with agreed additional costs of £196,466). We have already incurred additional costs as a result of the high risk nature of the audit and an increased number of significant risks due to errors found in 2016/17. We will update the Audit Committee on these throughout the remainder of the audit.
Financial Statements	<ul style="list-style-type: none"> — An incomplete set of financial statements was published online on 1 March 2019. These only contained the Balance Sheet, Cash flow statement and CIES, but did not include all of the notes to the accounts. The Authority did this in order to launch the public inspection period to the accounts. — However, we were informed that these were an early draft and these were not suitable for audit purposes, as they had yet to be fully quality checked, despite being made available to the public in order to meet legislative requirements. — We have since received a full draft set of statements and have commenced our final audit work.



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NORTHAMPTON BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

March 2019

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PROGRESS AGAINST PLAN

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2018-19 internal audit plan, which has been approved by Audit Committee in November 2018. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in section 2 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

Overview of 2018-19 work to date

The following 2018-19 audit reports have now been issued in Final:

- Audit 2. Member/Officer Relationships.

The following reports have been issued in draft:

- Audit 9. Cash Handling
- Audit 10. Procurement.

Changes to the Plan:

It was discussed with Management that Audit 3. Corporate Fraud would be removed from 2018-19. This is because on reflection the key fraud controls are managed and operated by LGSS. The corporate fraud risks are significantly lower and the predecessor internal auditors did deliver training on this topic to staff in the last 18 months. Therefore the value of a review would be less than re-distributing the days to Audit 9. Cash Handling and Audit 10. Procurement to allow for additional testing on known risk areas.

We are also presenting separately to this Committee:

- Internal Audit Plan 2019-2020 and Internal Audit Charter.

INTERNAL AUDIT OPERATIONAL PLAN 18/19

Audit Area	Audit Days	Exec Lead	Planning	Fieldwork	Reporting	Opinion Design Effectiveness	
Audit 1. Senior Management Restructure	20	George Candler	✓	✓			
Audit 2. Member Officer Relationships	15	Francis Fernandes	✓	✓	✓	Moderate	Limited
Audit 3. Corporate Fraud	Audit removed and 10 days re-distributed to Audit 9 and 10 to allow for additional testing						
Audit 4. Homelessness and Temp. Acc.	20	Phil Harris	✓	[March 2019]	[April 2019]		
Audit 5. Housing Rents	15	Phil Harris	✓	[March 2019]	[April 2019]		
Audit 6. Major Capital Projects	20	Rick O'Farrell	✓	✓	[15 March 2019]		
Audit 7. People	25	George Candler	✓	✓	[15 March 2019]		
Audit 8. Building Control	15	Peter Baguley	✓	✓	[15 March 2019]		
Audit 9. Cash Handling	20	Stuart McGregor	✓	✓	✓		
Audit 10. Procurement	20	Stuart McGregor	✓	✓	✓		
Audit 11. Digital Strategy	20	Marion Goodman	✓	✓	[22 March 2019]		

AUDIT 2. EXECUTIVE SUMMARY

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)

High	-
Medium	12
Low	4

Total number of recommendations: 16

OVERVIEW

Background and scope

Members and Officers of all councils have different, but complimentary roles. “Members provide a democratic mandate to the Council, whereas Officers contribute the professional expertise needed to deliver the policy framework agreed by Members” (LGA Member-Officer Relationships Workbook). The Council enshrines these roles, and the expectations of behaviour between both roles, in its Constitution, chiefly the Member-Officer Protocol contained within the Constitution. This review assesses the Member-Officer working relationship at Northampton Borough Council and identifies opportunities to improve it. We have followed three principles throughout this review:

- Member-Officer working relationships, particularly those between Cabinet Members and senior Officers, will always involve an element of working in the grey area between ‘policy’ and ‘politics’. Councils are inherently political organisations and this tension is natural. Therefore this review is not about trying to remove this tension. Rather it is about making sure this tension, between professional advice and democratic mandate, operates in a healthy way;
- We have focussed predominantly on systemic issues - i.e. how Officers as a whole, and Members as a whole, work together most of the time. There are personality clashes in any organisation. No protocol can eliminate these. Where we do highlight specific issues - i.e. rare instances restricted to particular issues or Members/Officers we have done so given their severity and made clear that they are not a symptom of a wider problem;
- We have emphasised the importance of culture and behaviour as much as the processes the Council has in place. The Council could have the most comprehensive Member-Officer Protocol in England, but if desirable cultures and behaviours related to that Protocol are not embedded then the Protocol will not work.

Approach

We took a four-step approach to gathering evidence for this review:

- Firstly, we undertook 14 interviews with 14 Council Officers/Members to get their views on the Member-Officer working relationship. Interviewees included Officers at Chief Executive, Head of Service and Manager level. Member interviewees included the Leader of the Council, Cabinet Members and the Leader of the Opposition;
- Secondly, we undertook a survey of both Officers and Members on whether the roles/responsibilities and expectations set out in the Council's Constitution reflected day-to-day reality of working at the Council. This survey was sent to all Members and all Officers at Manager-level and above. 24 Officers and 11 Members responded to our survey. The survey results are shown in full in Appendix IV;
- Thirdly, we reviewed the aspects of the Council's Constitution which focus on Member-Officer relations (primarily the Member-Officer Protocol) and compared these to a sample of other council Member-Officer Protocols. We used this to identify potential new areas which could be covered by the Council's refreshed Member-Officer Protocol;
- Fourthly, we attended a meeting of the Council's Executive Programme Board (EPB) to assess its working practices.

Findings

Our survey suggests that the Council has developed a reasonably positive Member-Officer working relationship. Survey respondents were asked 'On a scale of 1 - 10 (with 1 being 'very poor' and 10 being 'excellent') how would you rate the working relationship between Members and Officers at the council?' The mean average Member response was 7.73 and the mean average Officer response was 6.24. Both Members and Officers rated the working relationship toward the higher end of the quality spectrum, with Members more satisfied with the current working relationship than Officers. However there is still room for improvement. This theme is picked up throughout this report through more detailed analysis of the findings.

Perhaps of most concern is that officers produced low scores (between 5 and 6 out of 10) on the following questions: Members will not pressurise any Officers to change their professional opinion on any council business matter or do anything that compromises the impartiality of those who work for, or on behalf of, the council; Members will be clear about their roles and the roles of Officers; and Members will not get involved in day to day activities of Officers such as internal office management, discipline or employment related issues.

Overall Members and Officers interviewed for the review highlighted that the Council has been on a journey from an unhealthy top-down culture where Members were dictating policy, through a period where Members adopted more of a 'hands off' approach to policymaking, and now to a position where the balance between political direction from Members and advice and implementation from Officers is more even. However evidence from interviews and surveys conducted for this review shows that issues remain.

Elements of good practice we identified include:

- The Constitution sets out the anticipated roles of Members and Officers and expectations both groups can have about one another;
- The Council's Executive Programme Board (EPB) provides space to have robust discussions

between Members of the Cabinet and senior Officers. When we observed this meeting it had a pre-circulated agenda. Reports presented to the Board clearly set out options for decisions and the risks and advantages of each. The meeting was well chaired, bringing discussion back to the matter at hand where it had deviated. Overall the meeting had a positive energy with Officers thanked for their contributions and a tone which indicated a positive working relationship;

- Participants in the review felt that the Leader of the Council and Chief Executive are setting an improved cultural tone for both Members and Officers respectively which will permeate through both groups;
- In general there is a feeling amongst Members regarding Officers that “we have the best team we’ve ever had”;
- The Chief Executive is pursuing a “dispersed leadership” model based on a flatter structure, Away Days for senior officers focusing on issues such as Leadership and Change Management, expanding attendance at EPB, accelerated appointment of a Learning and Development Officer. These are felt to have improved the capacity and capability of senior Officers to provide constructive challenge to the political direction set by Members;
- Cabinet Members and Heads of Service both remarked on the positive one-to-one relationships - “open”, “constructive”, “collaborative” and based on “trust”.

However, the review identified the following recommendations for improvement:

- Build on current definitions of Member and Officer roles to bring these to life more clearly through example-based scenarios, focussing on where the survey carried out for this review shows the greatest discrepancy between the description in the Protocol and Officer/Member perceptions of how roles and responsibilities work in practice. This is also an opportunity to streamline references to Member’s and Officer’s roles in the Constitution so that they are all held in the same place. This clearer explanation of roles and responsibilities should then be embedded through a Council-wide training programme to make sure all Members and Officers are aware of the Protocol (Risk Reference 1A - Medium);
- Build on current definitions of the expectations Members and Officers can have of one another. Do this by consulting with Members and Officers based on the expectations they actually have of one another and cultural development sessions with Members and Officers working together on improving their working culture (Risk Reference 1B - Medium);
- Update the Member-Officer Protocol to include a clear process for where Officers wish to make complaints about Members conduct in relation to the Protocol and ensure this creates formal records where appropriate, has a right of appeal, and requires Group Leaders to show leadership and take remedial action where persistent issues are identified (Risk Reference 2A - Medium);
- Clearer communication by Group Leaders to their respective political groups of the existing Protocol’s rules around influencing Officer decisions. However, to give Members confidence that political priorities of the administration will be progressed in the appropriate way, an agreed list of political priorities should be produced and discussed at each EPB meeting (Risk Reference 2B - Medium);
- Update the Member-Officer Protocol to clarify that decisions taken at EPB are non-binding and do not compromise the Council with regard to pre-determination (Risk Reference 3A -

Low);

- Consult with Members on how the Member Contact Centre works, to increase the likelihood that Members will use it rather than contact Officers directly (Risk Reference 3B - Low);
- Use the Member Reference Group to create more opportunities for policy-based discussions between Officers and Non-Cabinet Members. This will help create a greater culture of trust across Members of the organisation and improve the quality of discussions between Members and Officers (Risk Reference 3C - Low);
- Recirculate contact details for Northampton Partnership Homes (NPH) area housing officers and re-communicate to Members the process for housing related casework involving NPH (Risk Reference 3D - Low).

Furthermore, whilst the Executive Programme Board provided a well managed and valuable forum for discussion, our observation did suggest some areas for improvement in how this meeting is managed which the Council may wish to consider:

- Discussion at Executive Programme Board is stronger when it focusses on strategic issues as opposed to specific cases. Discussion should focus on these strategic issues;
- Whilst the Executive Programme Board did include an update on actions from previous meetings, it was not always clear what actions had been agreed during the meeting. Agreeing actions more clearly at the end of each agenda item would ensure that actions meet the Board's expectations and are realistic. One example of where this not being done had hindered the discussion related to a request for Officers to share a record of all commercial property owned by the Council, the expiry date of current leases and who the leaseholders were. The scope of this proved too broad for Officers to supply given the amount of additional work required to produce such a register. The Board therefore agreed on a more concise set of information to be provided. However this resulted in a delay in progressing this matter until the next meeting;
- The Executive Programme Board provides an opportunity for discussion on strategic issues which cut across the Council's service areas. Two changes would make this aspect of Executive Programme Board function better. Firstly, Officers could input outside their specific policy brief - often Officers only provided input on the papers they had produced for the meeting and not other agenda items. Secondly, the discussion would benefit from wider Member input. Often Member input was driven by the Leader and Deputy Leader and contributions from other Members was minimal.

We have not made these observations formal recommendations because they are more qualitative in nature. They are also about improving an already positive and generally well managed meeting. The Council is currently in the process of refreshing its Member-Officer Protocol. This provides an opportunity to implement the above findings and run a related programme of engagement with all Members and Officers to refresh their understanding of the protocol.

Overall, we have been able to verify that the Council has made significant improvements to its Member and Officer relationships but there is still some way to go to achieve the standards set by the best Councils. We have therefore concluded on an opinion of moderate assurance for the design of the controls in this area and limited assurance on effectiveness. If the current rate of progress is maintained and our recommendations are actioned we would expect this opinion to improve.

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS	DESIGN	FINDINGS	EFFECTIVENESS
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.
RECOMMENDATION SIGNIFICANCE				
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.			
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.			
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.			



FOR MORE INFORMATION:

GURPREET DULAY CPFA
Public Sector Senior Manager
+44 (0)121 265 7214 (DDI)
+44 (0)787 055 5214 (Mobile)
gurpreet.dulay@bdo.co.uk



NORTHAMPTON BOROUGH COUNCIL

INTERNAL AUDIT PLAN AND CHARTER 2019-20

March 2019



INTRODUCTION

Our role as internal auditors is to provide independent, objective assurance designed to add value and improve your performance. Our approach, as set out in the Firm's Internal Audit Manual, is to help you accomplish your objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our approach complies with best professional practice, in particular, CIPFA Internal Audit Standards and Public Sector Internal Audit Standards.

Internal Audit at Northampton Borough Council

We have been appointed as internal auditors to Northampton Borough Council (the 'Council') to provide the s151 officer, and the Audit Committee with assurance on the adequacy of internal control arrangements, including risk management and governance.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at the Council will also be aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

In producing the internal audit operational plan for 2019-20 we have sought to further clarify our initial understanding of the business of the Council together with its risk profile in the context of:

- The overall business strategy and objectives of the Council
- The key areas where management wish to monitor performance and the manner in which performance is measured
- The financial and non-financial measurements and indicators of such performance
- The information required to 'run the business'
- The key challenges facing the Council.

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 the Council's current risk profile.

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 s151 Officer prior to commencing fieldwork and we will report this to the Audit Committee.

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

Significant variations to the plan arising from our reviews, changes to the Council's risk profile or due to management requests will be discussed in the first instance with the s151 officer and approved by the Audit Committee before any variation is confirmed.

APPROACH TO CREATING THE PLAN

The indicative Internal Audit programme for 2019-20 is shown in this document. We have not stated which quarter they will be reviewed in because we have been appointed half way through the audit year and therefore once this Plan is approved they all are priority to be completed as soon as Council and BDO resources become available.

1	Agreed approach with s151 officer and governance lead on 11 September 2018
2	Discussed risks and reviews with Chief Executive and each Head of Service on 18 September 2018
3	Considered client/sector risks and audit plans across our portfolio Reviewed the Council's Risk Register, Strategic Objectives, LGSS Plan, prior auditors reports and the Governance Teams Internal Control Plan
4	Discussed risks with External Audit Manager in September 2018
5	Finalised draft Plan with s151 officer and governance lead
6	Attended the Corporate Management Board meeting on 8 October 2018 with Plan
7	Presented the Draft Strategic Plan to the Audit Committee for consideration and approval in November 2019 and then for re-approval for specifically 2019-20 in March 2019

STAFFING

The core team that will be delivering the programme to you is shown below:

Name	Role	Telephone	Email
Greg Rubins	Head of Internal Audit	07710 703 441	Greg.Rubins@bdo.co.uk
Gurpreet Dulay	Audit Manager	07870 555 214	Gurpreet.Dulay@bdo.co.uk

The core team will be supported by specialists from our national Risk and Advisory Services Team and wider firm as and when required.

Our indicative staff mix to deliver the programme for 2019-20 is shown below:

Role	Days	Role mix %
Head of Internal Audit	20	10%
Audit Manager	60	30%
Senior Auditor	60	30%
Other (Specialists / Junior Auditor)	60	30%
Total	200	

REPORTING TO THE AUDIT COMMITTEE

We will submit the indicative Internal Audit Plan for discussion and approval by the Audit Committee in March 2019. We will liaise with the Executive Directors and other senior officers as appropriate to ensure that internal audit reports summarising the results of our visits are presented to the appropriate Audit Committee meeting.

Following completion of the Internal Audit programme each year we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements. Please note that should it be felt the number of days in the plan is to be greater than 200 then Internal Audit can accommodate this.

INTERNAL AUDIT PLAN 2019-20

Review	2019-20	Description
Planning Service CRR: 3	15	Review the strategy for the service to assess whether it is fit-for-purpose, the capacity/ knowledge and resilience of the team, and whether operational controls to achieve the objectives for the area are robust.
Safeguarding CRR: 16	20	Consider whether the Council have sufficient controls and processes in place to meet safeguarding requirements not only in the recruitment of their staff but also via the use of supplier staff. This will include the assessment of consistency and robustness with regards to safeguarding where multiple agencies are involved and any interaction with any local safeguarding hubs or teams.
Enterprise Zone (Economic Growth) CRR: 7	15	We will assess the structure, day to day operation and key controls in place to manage the Enterprise Zone.
Contract Management CRR: 5	20	Assess the most important contracts at the Council and how these are managed in terms of: whether the contract in place is robust and effective, variations to contracts are approved and embedded promptly, performance management is clear, understood and reported with appropriate action taken and if the culture between parties is effective
Corporate Plan Progress CRR: 12	20	There is a draft Corporate Plan due for approval in October 2018. This review will assess the progress against the Plan early in 2019-20 to identify quickly areas for improvement needed in the governance, progress and effectiveness of the Plan.
Asset Management CRR: 1	20	This area has undergone high staff turnover and had challenges due to a lack of a condition survey for nine years which is a barrier to creating a Strategy and identifying all assets correctly. We will review the progress made early in 2019-20 against the range of activities currently taking place to give a position statement.
Health and Safety CRR: 15	15	Review the Corporate Policy through to how local risk assessments are undertaken and acted upon. Furthermore to select samples of individual incidents to see if they follow procedures and are raised/managed effectively; this will include risks around Events the Council host/manage. We will also assess overall governance/reporting.
GDPR CRR: 6	20	Review compliance with the May 2018 new GDPR legislation and whether this is being overseen sufficiently and concerns escalated and managed.
Cyber CRR: 14	20	Compare the Council arrangements to expected standards for Cyber Resilience. We will then score you against different parameters and set clear aims for improvement. In addition, the LGA stocktake recently was completed which has resulted in an action plan to be implemented over the next few months - this review will assess progress of this.
SUB-TOTAL	165	

Management Time	20	This includes all planning, liaison and management of the Internal Audit contract including preparation of the Head of Internal Audit Opinion and attendance at all Audit Committees
Contingency	15	
TOTAL DAYS	200	

REVIEWS CONSIDERED BUT NOT INCLUDED IN THE INTERNAL AUDIT PLAN

The below reviews were raised as possible review areas as part of the audit planning process. To support your assessment of the Internal Audit Plan we have listed the reviews which have not made the Plan and our reasoning for their exclusion.

Review	Audit Days	Reason for Exclusion
Debt Management	15	This is covered as part of work performed by LGSS
Recruitment and IR35	15	This is a known issue with some staff still not compliant with IR35 however the total figure of non-compliance has reduced and PwC covered this area in the last 12 months
Events	15	It is not considered as great a risk as other areas and the outsourced provider in this area is not known to have any significant issues
Customer Services	15	There were no significant risks from discussions raised and overall performance of the initial call centre staff is sound
Business Continuity and Disaster Recovery	20	We have reviews around Cyber and GDPR which will in part cover some of the risks in this area and given the available days in the Plan this was demoted
Car Parking	15	It is not considered as great a risk as other areas
Civil Claims	20	This review is the change in laws which means Council can pursue civil claims outside of courts and do it themselves. This was considered less of a risk than other reviews in the Plan
Unitary Status Work	25	We have not allowed for contingency for unitary work as until everything is finalised it was deemed inappropriate to allocate days
Facilities Management	15	Discussions as part of risk planning did not lead to significant concerns in this area and therefore it has been excluded



NORTHAMPTON BOROUGH COUNCIL

INTERNAL AUDIT CHARTER 2019-20

March 2019

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 (through discussion with the Section 151 Officer), in practice the charter shall be reviewed and approved annually by management and by the Audit Committee on behalf of City Executive Board.

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.

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.

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 and Section 151 Officer with information necessary for it to fulfil its own responsibilities and duties. The Section 151 Officers role is to ensure Council is compliant with the statutory requirements for internal audit as set out in the 1972 Local Government Act. 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 (Head of Internal Audit) 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.

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 Head of Financial Services (Section 151 Officer) who provides day-to-day oversight and is charged with ensuring the Council is compliant with statutory requirements for the internal audit function.

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 Section 151 Officer and 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 Section 151 Officer and 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 Northampton Borough 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 Section 151 Officer and 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 Section 151 Officer and 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>Audit Coverage</p> <p>Annual Audit Plan delivered in line with timetable</p> <p>Actual days are in accordance with Annual Audit Plan</p>
<p>Relationships and customer satisfaction</p> <p>Customer satisfaction reports - overall score at least 70% 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>Staffing and Training</p> <p>At least 60% input from qualified staff</p>
<p>Audit Reporting</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>
<p>Audit Quality</p> <p>Positive result from any external review</p>

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 impairs its independence / 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

BDO contacts

Name	Role	Telephone	Email
Greg Rubins	Head of Internal Audit	07710 703 441	Greg.Rubins@bdo.co.uk
Gurpreet Dulay	Audit Manager	07870 555 214	Gurpreet.Dulay@bdo.co.uk

FOR MORE INFORMATION:

Gurpreet Dulay

Gurpreet.Dulay@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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LGSS Internal Audit Update – March 2019

1. Purpose

This report provides the Audit Committee with an update on work undertaken since the last report was considered in November 2018. It also outlines the planned LGSS internal audit coverage that will be undertaken on behalf of the Northampton Borough Council during 2019-20.

2. Background

Many financial activities transferred from Northampton Borough Council to LGSS during 2013-14 financial year. It was agreed with the S151 Officer and the Councils previous internal auditors that where LGSS have the responsibility to undertake the functions, LGSS Internal Audit would complete the assurance work, whilst the Councils internal auditors would continue to audit those aspects which remain in the direct control of the council.

3. 2018-19 Plan Update

A summary of planned / actual work for 2018-19 along with the status of such work is detailed in the table below.

Audit	Status	Planned / Actual Start Date	Control Environment Assurance	Compliance Assurance	Organisational Impact
Accounts Receivable	Final		Satisfactory	Satisfactory	Minor
Quarterly Balance Sheet Review	Fieldwork				
Housing Benefits	Planning	March 2019			
IT Application Review – Agresso		April 2019			

In terms of update:

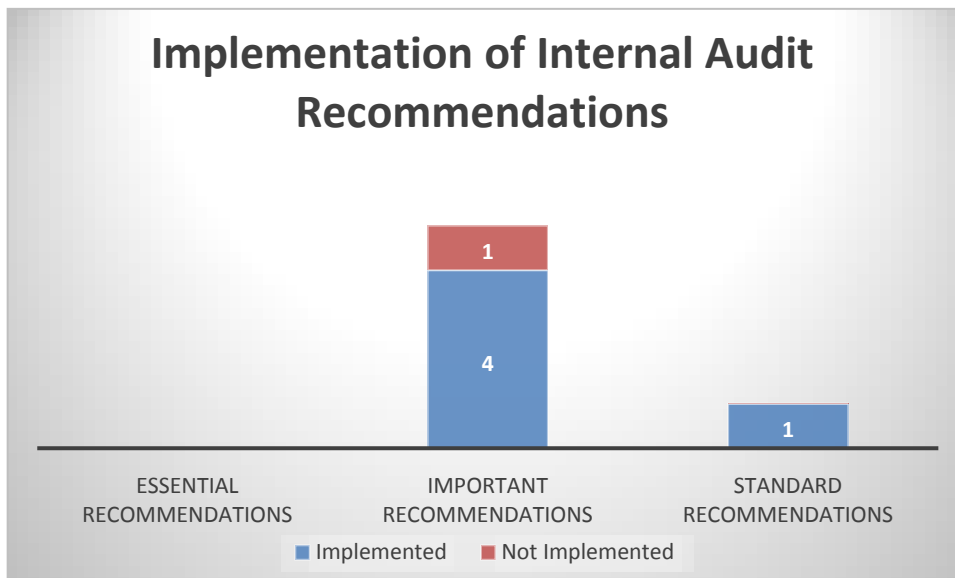
- 1) **Accounts Receivable** – The key findings that support the level of assurance provided include:
 - In terms of debt recovery, the following issues were identified:
 - For debts pursued by the Debt Recovery Team, after the automatic reminder letters, a gap of seven weeks exists after the last reminder is generated before officers review the debt.
 - Inconsistent arrangements exists around how instalments arrangements are managed.
 - In respect of write offs, our review highlighted that:
 - The financial limits defined for officers to approve write offs in procedures are not aligned to the value of invoices being generated in the Council.

- Procedural requirements around the need for specific officers to recommend debts for write off, and that the Chief Financial Officer or deputy should counter sign all write offs is not reflected in working practice.
- No evidence could be provided that information on outstanding debts were being routinely circulated to all stakeholders in the Council.

A copy of the agreed action plan for this audit is attached at Appendix two. This audit will be followed up in April 2019.

- 2) In developing and agreeing the 2018-19 plan, it was intended that all audits would be finalised by the end of March or early April 2019. Due to resource issues in the team, planned activity has been delayed. The resource issue has now been addressed although the impact of this is that work will not be completed until the end of May 2019, with the findings included in our annual report which will be presented to officers and the Audit Committee in June 2019.
- 3) **Follow Ups** – Follow up work has been undertaken on the following audits:
 - Council Tax
 - Business Rates
 - Accounts Payable

Within the November 2018 updated, we reported that 11 of the 18 recommendations made in these reports had been implemented. At the time of this report, one of the actions was not followed up as it is not due to be implemented until the end of March 2019. The results of follow up work assessing the implementation of the six remaining actions are detailed below.



We are pleased to report that only one action currently remains outstanding. This is being progressed and a revised implementation date of the end of March 2019 has been agreed. It should be noted that we have not followed up the 2017-18 review of Fixed Assets as it has also been agreed this review will be the subject of a formal follow up review in the 2019-20 plan as reflected in section four of the report.

4. 2019-20 Plan

A three year audit plan was considered by the Audit Committee in September 2017 and has been subject to review on annual basis. The three year plan including planned coverage in 2019-20 plan is detailed below:

Audit	2017-18	2018-19	2019-20
Accounts Payable			
Accounts Receivable			
Quarterly Balance Sheet Review			
General Ledger			
Treasury Management			
Council Tax			
Business Rates			
Housing Benefits			
Fixed Assets			
IT Agresso Review			
IT Northgate Review			
IT Academy Review			

Duncan Wilkinson
 Chief Internal Auditor, LGSS

Appendix One: How Internal Control is reviewed

Each Internal Audit review has three key elements. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables Internal Audit to give an assurance on the control environment.

However, controls are not always complied with, which will in itself increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This enables Internal Audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

Finally, where there are significant control environment weaknesses or where key controls are not being complied with, further substantive testing is undertaken to ascertain the impact these control weaknesses are likely to have on the organisations' control environment as a whole.

To ensure consistency in reporting, the following definitions of audit assurance are used:

Control Environment Assurance	
Level	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment.
Satisfactory	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance	
Level	Definition
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Satisfactory	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.

No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.
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Organisational Impact	
Level	Definition
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

When assessing findings in the Management Action Plan, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks arising from the control weakness found. For ease of reference, we have used the following system to prioritise our recommendations, as follows:

ESSENTIAL (E)	Important (I)	Standard (S)
Failure to address the weakness has a high probability of leading to the occurrence or recurrence of an identified high-risk event that would have a serious impact on the achievement of service or organisational objectives, or may lead to significant financial/reputational loss. The improvement is critical to the system of internal control and action should be implemented as quickly as possible.	Failure to respond to the finding may lead to the occurrence or recurrence of an identified risk event that would have a significant impact on achievement of service or organisational objectives, or may lead to material financial/reputational loss. The improvement will have a significant effect on the system of internal control and action should be prioritised appropriately.	The finding is important to maintain good control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve service objectives effectively and efficiently. Management should implement promptly or formally agree to accept the risks.

Appendix Two: Accounts Receivable Review Action Plan

Ref.	Issues & Risks (Precis)	Agreed Action / management comments	Manager Responsible & Target Date
1.	<p>Unreconciled items on the suspense accounts Whilst the review of the two suspense accounts highlighted that timely action was generally taken to resolve unallocated income received, there were still a small number of transactions that had not been resolved despite the fact they were received prior to 2018.</p> <p>Risk Transactions not accurately reflected on the general ledger.</p>	<p>Standard Action taken to resolve these unreconciled items.</p>	<p>Exchequer Team Leader March 2019</p>
2.	<p>Debt Recovery A review of processes along with sample testing on outstanding debts highlighted the following:</p> <ul style="list-style-type: none"> For the majority of debts pursued by the Debt Recovery Team, other than automatic reminders, no contact is made by LGSS with the customer until at least 70 days after the invoice date. This includes a gap of at least seven weeks after the final reminder is generated before officers review the debt. Limited testing on debts in dispute found that on one case, whilst evidence existed that the Debt Recovery Team were chasing the relevant service for an update, no feedback had been received by the Service. Furthermore, no escalation process has been agreed to deal with cases where no progress has been made by the service in dealing with the dispute. <p>Risk Untimely action resulting in older debts remaining unpaid.</p>	<p>Important LGSS in conjunction with NBC Officers to review debt recovery procedures to ensure that:</p> <ul style="list-style-type: none"> Timely contact is made when debts remain unpaid after the automatic reminder letters have been issued. An escalation process is agreed for the Debt Recovery Team to raise cases where NBC services are not resolving disputes on a timely basis. 	<p>Revenue Manager / Governance and Risk Manager March 2019</p>

Ref.	Issues & Risks (Precis)	Agreed Action / management comments	Manager Responsible & Target Date
39 3.	<p><u>Payment by Instalment</u></p> <p>In six cases considered as part of testing on debt recovery, instalment arrangements had been agreed although the procedure requiring that a financial assessment be undertaken to determine the payment plan had not been undertaken in any of the cases.</p> <p>Furthermore, we have established that instalment arrangements can be agreed by both LGSS Exchequer or the Debt Recovery Team although there are differences in approaches in the two areas, namely:</p> <ul style="list-style-type: none"> • Whilst a formal agreement underpins the arrangements set up by LGSS Exchequer, there is no formal agreement in the Debt Recovery Team. • If the instalment payment is not received, in LGSS Exchequer, the automatic reminder letters starts again whereas in the Debt Recovery Team, they recommence recovery action from the status in place prior to instalments being agreed. <p><u>Risk</u> Non-compliance with agreed procedures. Inconsistent process for dealing with customers. Delays in income being received.</p>	<p>Important</p> <p>LGSS in conjunction with NBC Officers to review the arrangements covering instalment agreements to ensure requirements are clearly documented in procedures understood and that there is a consistent process in place.</p>	<p>Revenue Manager / Exchequer Team Leader / Governance and Risk Manager</p> <p>March 2019</p>

Ref.	Issues & Risks (Precis)	Agreed Action / management comments	Manager Responsible & Target Date
4.	<p><u>Write offs</u> Our review of the current process highlighted the following:</p> <ul style="list-style-type: none"> • Procedural requirements around the need for specific officers to recommend debts for write offs and that the Chief Financial Officer or deputy should counter sign all write offs is not reflected in practice. • The financial limits defined for officers to approve write offs is not alligned to the value of invoices being generated in the Council or is consistent with limits in other local Councils. <p><u>Risk</u> Write offs taking place without appropriate oversight by senior management.</p>	<p>Important LGSS in conjunction with NBC Officers to review write off procedures to ensure requirements are clearly understood and that approval is obtained at an appropriate level within the Council.</p>	<p>Revenue Manager / Governance and Risk Manager</p> <p>March 2019</p>
5.	<p><u>Management Reports</u> Whilst a copy of the aged debt report is sent to the Chief Financial Officer on a monthly basis, no evidence could be provided that information on outstanding debts were being routinely circulated to all stakeholders in the Council.</p> <p><u>Risk</u> Lack of NBC operational management oversight over outstanding debts.</p>	<p>Important LGSS in conjunction with NBC Officers to define reporting arrangements over outstanding debts and to ensure such information is communicated to all relevant services / officers / members.</p>	<p>Revenue Manager / Exchequer Team Leader / Governance and Risk Manager</p> <p>March 2019</p>

Appendices: 1
Cabinet Report – Finance
Monitoring to 31 January
2019



AUDIT COMMITTEE REPORT

Report Title	2018/19 Financial Monitoring Report to 31 January 2019
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 18 March 2019

Policy Document: No

Directorate: Chief Finance Officer

Accountable Cabinet Member: Cllr Brandon Eldred

1. Purpose

- 1.1.1 To present Committee with the Financial Monitoring Report to 31 January 2019 as presented to Cabinet on 13 March 2019.

2. Recommendations

- 2.1 To consider the contents of the Finance Monitoring Report to 31 January 2019 (appendix 1).
- 2.2 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

- 3.1.1 A finance monitoring report is presented to Cabinet every other month during 2018/19. Audit Committee has asked to receive these reports. The finance monitoring report to 31 January 2019 is set out in appendix 1.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Council agreed a balanced budget for the capital programme and revenue budgets for both the general fund and the Housing Revenue Account (HRA) in February 2018. Delivery of the budget is monitored through the budget monitoring framework.

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial viability and to its reputation.

4.3 Legal

4.3.1 There are no specific legal implications from this report.

4.4 Equality

4.4.1 There are no specific equality implications from this report

4.5 Consultees (Internal and External)

4.5.1 Heads of Service, budget managers and Management Board are consulted as part of the budget monitoring process on a monthly basis.

4.6 Other Implications

4.6.1 None specifically.

5. Background Papers

5.1 Cabinet and Council budget and capital programme reports February 2018.

Stuart McGregor
Chief Finance Officer (Section 151 Officer)



CABINET REPORT

Report Title	Finance Monitoring to 31 January 2019
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	13 March 2019
Key Decision:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	N/A

1 Purpose

- 1.1 Financial monitoring reports will be presented to Cabinet on a bi-monthly basis and will include:
- Revenue – any significant issues requiring action and details of the actions being taken.
 - Budget Risks, including any unachievable savings.
 - Budget Changes and Corrections
 - Capital – progress on key projects
 - Capital appraisals and variations requiring approval or approved under delegation.

2 Recommendations

- 2.1 That Cabinet notes the contents of the report and notes that future reports will set out the actions being taken by Corporate Management Board to address issues arising.

- 2.2 That Cabinet note the capital appraisals approved under delegation as set out in Appendix 1.

3 Issues and Choices

3.1 Report Background

- 3.1.1 As the end of the financial year approaches, there are a number of issues to be addressed in relation to the General Fund revenue budget. These are detailed below.

3.2 Key Financial Indicators

Dashboard Indicator Description	Variation from Budget	
	General Fund	Housing Revenue Account
	£m	£m
Controllable Budgets	1.998	(0.742)
Corporate Budgets	(0.497)	0.000
Total	1.501	(0.742)

3.3 General Fund Revenue Budget (Red)

- 3.3.1 The overall General Fund revenue budget is currently forecasting an overspend of £1.501m. This is an improvement of £0.560m on the £2.061m forecast overspend as at the end of period 8 when this was last reported to Cabinet. The main area of pressure contributing to this overspend continues to be in the Homelessness area, while the main areas of change are in the Communities area and the Chief Finance Officer area. These areas are covered in more detail below
- 3.3.2 Homelessness - The combined current forecast overspend on Housing and Benefits as a result of increased homelessness is £1.618m. High levels of homelessness, together with the severe shortage of affordable rented housing, have resulted in a sharp increase in the Council's use of temporary accommodation and the amount of time that homeless households are required to wait until they are offered settled housing.
- 3.3.3 The issues and the overall pressure remains broadly the same as when it was last reported to cabinet as part of the period 8 monitoring position.
- 3.3.4 Customers & Communities – The Customers & Communities area is forecasting an overspend of £0.071m. This is an improvement of £0.495m compared to the overspend of £566k forecast at period 8. The improved forecast position for Period 10 reflects work undertaken by officers to review the first six months of operation of the Environmental Services Contract which commenced in June 2018. The financial profiling and payment mechanism are understood and the impact of the first two months under the previous operator are now better understood. The main component of the improved position is a change to the profiling of the contract payments against the original budget assumptions.
- 3.3.5 Chief Finance Officer – The Chief Finance Officer area is showing an increased pressure of £0.246m in period 10. This is due to the expected additional external audit costs associated with the audit of the 2016/17 and 2017/18 statement of accounts.

- 3.3.6 Other – Other currently reported variances amount to a net overspend of £0.064m.
- 3.3.7 Corporate budgets – There is a forecast underspend of £0.497m against the Corporate budgets. This is made up of two items. First, a £0.247m underspend on debt financing as a result of greater interest income due to cash balances remaining higher, and also a rise in interest rates. The second item is an amount of £0.250m that was budgeted to be contributed to reserves in year to protect against future pressures arising from homelessness and temporary accommodation. As that risk has materialised in 2018/19, this can be released in the current year.
- 3.3.8 Corporate Management Board are actively seeking options and actions to manage and mitigate the impact of the risk of an overspend in 2018/19.

3.4 HRA Revenue Budget (Green)

- 3.4.1 There is currently an overall underspend of £0.742m being forecast. This predominantly comprises of a reduction in the transfer to the Bad Debt Provision of £0.300m following a mid-year review, with the remainder of the under-spend relating to revenue budgets including staff vacancies, utility costs, responsive and void repairs.

3.5 General Fund Capital Programme

- 3.5.1 The General Fund capital programme is currently forecast to spend up to the latest budget of £16.3m. There have been a number of in -year changes since the previous Cabinet Report as a consequence of a review of all schemes in preparation of the Capital Programme starting in 2019/20. These are detailed in the tables in Appendix 1 together with items approved under delegation.
- 3.5.2 Any further additions to the capital programme, including any strategic property purchases, will be subject to the development of a robust business case. In line with Financial Regulations, any proposed additions to the programme greater than £0.25m and/or requiring additional funding from Council resources, will be brought to Cabinet for approval.

3.6 HRA Capital Programme

- 3.6.1 The approved HRA Capital Programme for 2018/19 stands at £25.694m. It is currently expected that the capital budget will be fully spent in the year except for £0.109m in relation to ICT and £0.410m in relation to Buybacks (a budget for purchasing former council houses and other spot purchases of housing) that is expected to be carried forward into 2019/20.

3.7 Choices (Options)

- 3.7.1 Cabinet is asked to note the reported financial position and agree the recommendations. There are no alternative options, other than not to agree the recommendations.

4 Implications (including financial)

4.1 Policy

- 4.1.1 The Council agreed a balanced budget for the Capital Programme and Revenue Budgets for both the General Fund and the HRA in February 2018. Delivery of the budget is monitored through the budget monitoring framework.

4.2 Resources and Risk

- 4.2.1 This report informs the Cabinet of the forecast outturn positions for capital and revenue, for both the General Fund and HRA, as at the end of November 2018. It also highlights the key risks identified to date in delivering those budgets.
- 4.2.2 All schemes included in the capital programme, or put forward for approval, are fully funded, either through borrowing, internal resources or external funding arrangements.

4.3 Legal

- 4.3.1 There are no direct legal implications arising from this report.

4.4 Equality and Health

- 4.4.1 There are no direct equalities implications arising from this report.
- 4.4.2 A full Community/Equalities Impact Analysis has been completed for the 2018/19 Budget and is available on the Council website.

4.5 Consultees (Internal and External)

- 4.5.1 Heads of Service, Budget Managers and Management Board are consulted as part of the budget monitoring process on a monthly basis.

4.6 How the Proposals Deliver Priority Outcomes

- 4.6.1 Regular financial monitoring is a key control mechanism and contributes directly to the priorities of sustaining “effective and prudent financial management” and being “an agile, transparent organisation with good governance”.

4.7 Other Implications

- 4.1.1 There are no other implications arising from this report.

5 Background Papers

- 5.1 Cabinet and Council Budget and Capital Programme Reports February 2018.

Stuart McGregor, Section 151 Officer

Appendix 1

General Fund Capital Budget Changes January 2019

Reference	Scheme Title	£k	Comments
BA216	Central Museum Development	(5,212)	Reprofiling of spend to 19/20
BA221	Vulcan Works	(70)	Reprofiling of spend to 19/20
BA244	St James Mill Link Road	(1,640)	Removal of scheme following review
BA257	Environmental Services Contract	(2,640)	Reprofiling of some spend across the contract life of 10 years
BA673	Parks / Allotments / Cemeteries Enhancements	137	Addition of projects to this Block Contract that are fully funded by s106 funding (see table below)
BA687	St Peters Waterside	(1,014)	Removal of scheme following review
	Fernie Fields	180	Addition of scheme at February 19 Cabinet
TOTAL		(10,260)	

Approved under Delegation

BA673 - Parks/Allotments/Cemeteries Block Programme

Scheme Title	£k
Abington Park Security Bollards	11
Notre Dame Cemetery	5
Thornton Park Play Area	35
Errington Park Play Area	40
Ecton Brook Play Area	46
TOTAL	137

Appendices:

1. Governance Report
2. Q3 Corporate risk register
3. Position statement on vacant posts



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Governance Report Update
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 18th March 2019

Policy Document: Governance Report

Services: Chief Finance Officer

Accountable Cabinet Member: Jonathan Nunn - Leader

1. Purpose

1.1.1 This report introduces the Governance Report which will be presented quarterly to the Audit Committee.

2. Recommendations

2.1 That the Committee review, comment and request additional information be included or, if not required, items are omitted for future quarterly Governance Reports.

2.2 That the Committee agree that the Governance report will be presented quarterly with appendices where relevant.

3. Issues and Choices

3.1 Report Background

Previously, the Audit Committee was presented with the Governance Action plan that was introduced in 2016. This has now, in the main, been completed and it has been identified that a quarterly governance statement is required to give assurance of controls and process improvements within NBC.

3.2 Issues

Q3 Corporate Risk register

Risk management is a key priority for the Council. Critical to the development of better risk management is the development of a tighter culture of risk identification, assessment and mitigation at all levels of the Council, including at the corporate level, with proper and regular updates to assessments of potential risks.

- 3.2.1 18 risks were stated on the corporate risk register as of December 2018. Of these 17% are rated red, 78% amber and 5% rated green.
- 3.2.2 Two new risks were identified and added in Q3 both in relation to Brexit:
- 1. The impact of Brexit on NBC services
 - 2. The impact of Brexit on Northampton economy.
- 3.2.3 **Risk#16:** the Local Government Reform (LGR) risk recorded at Q2 was removed with the view that this will now be included within the main LGR project risk register.
- 3.2.4 Two items have had a reduction in the risk rating in Q3:
- Risk #1:** Failure to deliver a balance budget - reduced from 16 to 12 reflect the involvement from Officers and Members in relation to budget away days and workshops.
- Risk #6:** Legal obligations under the Data Protection Act 1998 (and also the superseding GDPR EU Regulations in 2018) are breached – reduced from 12 to 9 to reflect GDPR implementation work that has been progressed by the Data Protection Officer.
- 3.2.5 An amendment was made to the format of the risk matrix on the first page to show the direction of travel of each risk from the previous period.
- 3.2.6 The corporate risk register will be updated for Q4 2018/19 during March 2019. Any significant changes will be reported to Cabinet.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 There are no policy changes as a result of this report.
- 4.1.2 There may be various impacts and changes to current policies. The governance report will assure Audit Committee that policies and procedures are being strengthened to contribute to building a strong control environment at the Council.

4.1.3 Compliance with policies will be monitored through the Internal Control reviews and reported upon through the governance structure and to the Audit Committee starting in the new financial year.

4.2 Resources and Risk

4.2.1 The Governance team are fully resourced to cover the areas reported within the Governance report, temporary staff have been engaged to assist with GDPR. Financial implications will be reported through the budget process.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Whilst there are no specific equality implications at this stage, various policies will be reviewed through the improvements in procedures throughout NBC. All reviews will be supported by equality and community impact assessments.

4.5 Consultees (Internal and External)

4.5.1 Internal consultation has taken place with Corporate Management Board and other senior officers where required.

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 None at present

Joanne Bonham, Governance & Risk Manager



NORTHAMPTON
BOROUGH COUNCIL

Governance Report to Audit Committee

18 March 2019

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CONTRIBUTION LIST

Service Area:	Responsible:
LGSS Contract Management Risk/policies/emergency planning/AOB Internal Controls GDPR H & S	Stuart McGregor Jo Bonham Karen Middleton David Taylor Julian Bissaker

1. LGSS Contract Management:

Meeting in February to discuss review of the KPI's, follow up meeting March/April 2019.
Contact made with Head of Insurance with a view to overseeing the provision and prepare for the renewal information.

2. Risk registers:

Corporate risk register update for Q4 to be actioned March 2019.
Review of all service risk registers April – May.

3. Emergency Planning:

Training for newly identified silvers and golds undertaken December 2018.
Brexit training January/February 2019.
Business Continuity plans started to be updated for all service areas – to be finalised March 2019.

4. Internal Controls:

1. Internal control reviews update.

- Temporary Workers – continuing to monitor and provide information to management to facilitate decision making.
- Asset Management Debt – have identified a resource to undertake the work required to get the GVA system up to date. Once this is completed a full reconciliation to Agresso will be undertaken followed by a review of all debtors. Some debt recovery work is now being undertaken within the assets team.

2. Internal control reviews in progress:

- Corporate debt – work substantially completed and will be reported to management this month.
- Management of the establishment list/structure chart – work is ongoing but it is dependent on the completion of the restructure of Agresso (HR).

3. Internal control reviews planned:

- Parking income
- Market income

4. Position statement on vacant posts and temporary workers.

Service Area	01-Apr-18	28-Feb-19	Comments
Chief Executive's Office	3	0	None.
Head of Economy, Assets & Culture	8	6	2 consultants delivering specific project work. 1 providing additional project management resource. 3 covering vacancies in the estates team.
Head of Planning	1	2	1 covering a vacant post in the Policy and Heritage team. 1 covering maternity leave in the Building Control team.
Head of Housing & Wellbeing	4	14	7 are additional resource in the Outreach team and 3 are providing cover for the Winter Shelter. Additional monies have been provided by MHCLG, under the Rough Sleepers Initiative, to fund these posts from 14/02/2019 to 31/03/2019. 2 are covering a vacancies in the Housing Options (Prevention) team. 1 is working in a housing strategy role. 1 is working in a community wellbeing role.
Borough Secretary & Monitoring Officer	2	4	1 covering a legal admin post with a permanent member of staff due to start on 18/03/2019. 3 covering vacant posts in the Legal team (these posts have been recently advertised but the recruitment process was not successful).
Chief Finance Officer (S151)	1	0	None.
Head of Customers & Communities	1	1	Covering a vacant post in the customer services team with a permanent member of staff due to start on 01/03/2019.
Total	20	28	

5. Health & Safety:

Audits 18/19 to date:

Audits							
Operational Team	RA's	Written Procedures	Document control	Comms	Accident procedure	Training	Compliant Score
Market	85	60	90	90	90	70	81%
Neighbourhood Wardens	80	80	90	100	90	80	87%
Park Rangers	70	80	90	100	90	70	83%
Customer Services	90	100	100	100	90	90	95%
One Stop Shop	90	100	100	100	90	90	95%
Carparks	80	90	80	100	90	90	88%
Abington Museum	80	80	90	100	100	90	90%
Call Care	80	100	100	100	100	80	93%
Bus Station	60	60	80	90	90	90	78%
Planning Policy and Heritage	0	50	90	90	100	90	70%
Building Control	90	90	100	100	100	90	95%
Development Management	90	90	100	100	100	90	95%
Land Charges	60	80	100	100	90	90	87%
							0%

Planned Audits & Inspections for February 2019

The Guildhall facilities operation will audited on 21st February 2019

6. GDPR:

Overall (April 18 to Feb 19)			Cause						Improvement				
Service	Total		Email	Document posted to wrong address	Telephony	Insecure destruction	Equipment Theft	Cyber Security	Procedure improvement	Correct Data Set	Update contact details	Staff Training	Notes
Borough Secretary (3)	1		0	0	0	0	1	0	1	0	0	0	Stolen Laptop. Fully encrypted. No password

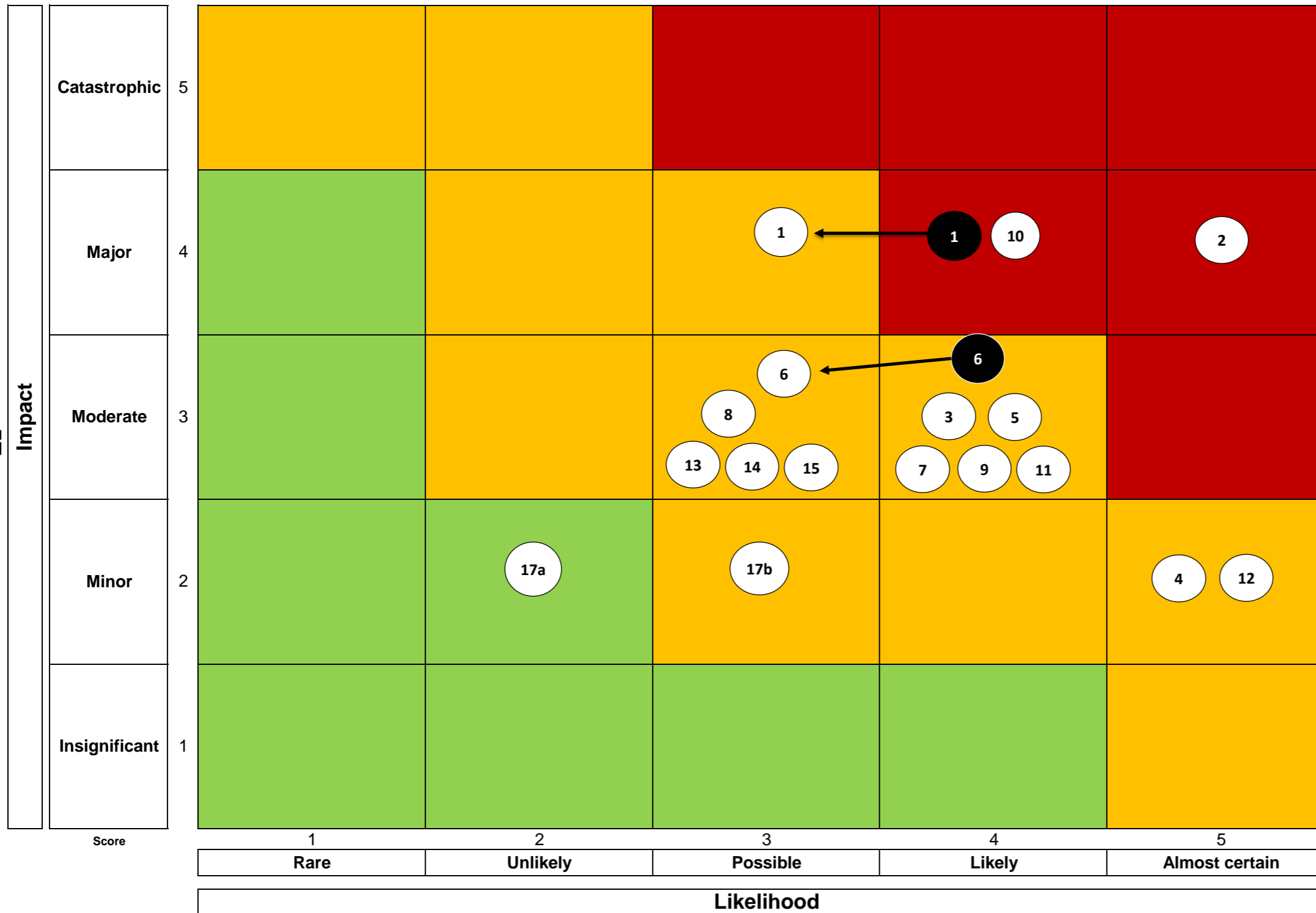
													loss.
Customers and Communities (6)	0	0	0	0	0	0	0	0	0	0	0	0	
Economy Assets and Culture (7)	0	0	0	0	0	0	0	0	0	0	0	0	
Finance and Governance (11)	0	0	0	0	0	0	0	0	0	0	0	0	
Planning (14)	2	0	0	0	0	0	0	0	0	0	0	0	No beach (2 Cases)
CTax & HB (LGSS) (5)	4	2	1	0	0	0	0	0	0	2	1	0	3 breaches non-reportable to the ICO all involving documents sent to the wrong address
CIlr (4)	1	0	0	0	0	0	0	0	0	0	0	0	No breach
Environmental Health (8)	0	0	0	0	0	0	0	0	0	0	0	0	
HR and Payroll (13)	0	0	0	0	0	0	0	0	0	0	0	0	
Post Room (15)	1	0	0	0	0	0	0	0	0	0	0	0	No breach
Housing and Wellbeing (12)	4	3	0	0	0	0	0	0	0	1	2	0	3 breaches non-reportable to the ICO all involving emails going to the wrong address.
NNDR (16)	1	0	0	0	0	0	0	0	0	0	0	0	No breach
External Agency (9)	1	0	0	0	0	0	0	0	0	0	0	0	External agency self-reported. Non-reportable to the ICO.
External Contractor (10)	1	0	1	0	0	0	0	0	1	0	0	0	1 breach non-reportable to the ICO involving document posted to the wrong address
NLT (17)	1	0	0	0	0	0	1	0	1	0	0	0	Stolen Laptop Fully encrypted. No password loss.
Total	17	5	2	0	0	0	2	0	3	3	3	0	

7. AOB:

- Service plans are being updated March 2019 for all services for 19/20.
- Baseline exercise for unitary project team underway – start March 2019 through May 2019.

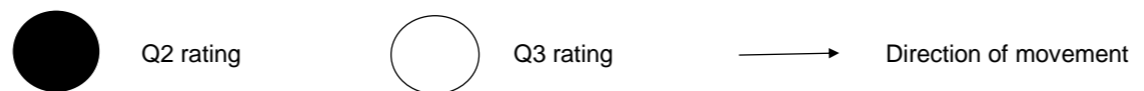
CORPORATE RISK REGISTER
Q3 DECEMBER 2018

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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.
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 - To be included in LGR project risk register.
- 17a. NEW RISK: Impact of Brexit on NBC services.
- 17b. NEW RISK: Impact of Brexit on Northampton economy.



Impact

Type of Impact		Health and Safety	Reputation	Financial	Legal / Regulatory
Level					
5	Catastrophic	Fatality	Critical impact on business reputation and/or national media exposure.	Financial loss in excess of £10 Million/ Impact on budget > 12 %	Regulatory and high level Government intervention/action.
4	Major	Permanent disabling injury and / or long term off work	Significant impact on business reputation and/or national media exposure.	Financial loss from £5 to £10 Million/ Impact on budget 6 -12%	Management challenged / Large legal liabilities. Likely to result in regulatory intervention/action.
3	Moderate	Injury requiring medical treatment , time off work and rehabilitation	Moderate to small impact on business reputation.	Financial loss from £2 to £6 Million / Impact on budget 2 - 6%	Management reviewed / legal reserves established. Triggers regulatory investigation.
2	Minor	Injury requiring medical treatment with no lost time	Some impact on business reputation.	Financial net loss from £0 to £2 Million/ Impact on budget < 2 %	Minimal / limited liabilities. Requires immediate regulator notification.
1	Insignificant	Minor medical treatment, no lost time.	No impact on business reputation.	No financial net loss or impact on budget	Minimal liabilities. No immediate regulator notification required.

Likelihood

5	Almost certain	Is expected to occur in most circumstances/ occurs daily - weekly
4	Likely	Could occur in most circumstances / occurs monthly
3	Possible	Has occurred here or elsewhere / Once a year
2	Unlikely	Hasn't occurred yet but could / once in 5 years
1	Rare	Hasn't occurred yet but could / once in 10 years

CORPORATE RISK REGISTER
Q3 DECEMBER 2018

No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 18/19	Q3 18/19				
1	Failure to deliver a balanced budget 19/20 – 22/23	<ul style="list-style-type: none"> • Council unable to deliver sufficient savings to balance budget • Major projects don't deliver planned benefits • Complacency in the organisation • Increased organisational change and complexity • Changes in govt. funding particularly NNDR • Complex challenges of addressing both the controllable and uncontrollable pressures and events that can act on both income and expenditure • Challenges of working with partnership or arms- length organisations where there is a loss of direct management control 	<ul style="list-style-type: none"> • Inability to set a legal budget • Depleted Reserves • Need to realise capital receipts • Inability to deliver services to meet customer need/demand and expectations of the Council 	25	<ul style="list-style-type: none"> • Review reserves strategically • Robust monitoring of budgets by services and taking early remedial action where issues identified. • Management Board action to limit spending where appropriate and communicate to staff on spending restrictions • 19/20 draft budget proposed • Quarterly financial reporting to Cabinet • Regular financial reporting to the Management Board • Regular monthly financial monitoring (incl. projections) • Finance Away Days for Boards and HoS 	16	12	<ul style="list-style-type: none"> • Robust Medium Term Financial Plan review (September 2018 – January 2019) • Cabinet and CMB had a workshop in October and November to consider the Budget for 19/20 and future years and consider what options may be available to manage or mitigate the future pressures. 	12	CFO (S151)	Updated by CFO 27 th November 2018

No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 18/19	Q3 18/19				
2	<p>Projects may be instigated outside normal process where there is a lack of clarity around Member and Officer roles.</p> <p>Reputational damage may occur should promises to the public by Members not be realised.</p>	<ul style="list-style-type: none"> Members and Senior Officers roles (formulating and administrating policy respectively) are not always clear The culture does not resonantly promote a separation of the respective roles and duties of members and officers Officers feel inhibited in giving full, objective, professional and technical advice to Members in charged political atmospheres Officers in their role seek to frustrate the strategic choices, policy and direction-setting of Members Weak management of Members by leadership in the past 	<ul style="list-style-type: none"> Significant decision-making with significant outcomes and impacts is not robust and is not properly administered or processed by the organisation The intended outcomes and objectives of decisions are not achieved or are achieved in sub-optimal terms Maladministration occurs The control environment is weakened and controls could be bypassed Potential for reputational damage and loss of public and stakeholder confidence Regulatory criticism Legal challenge may be made and increased costs incurred 	20	<ul style="list-style-type: none"> Council Constitution (incl. the Member-Officer Protocol) Cabinet reporting system Scheme of Delegation Contract Procedure Rules EPB set up to aid interface between Members and Officers. Weekly meeting with CMB and Cabinet to discuss general updates and any potential issues/gaps in information communicated. 	20	20	<ul style="list-style-type: none"> Review of EPB terms of reference (Sept 2018) Review of Member-Officer Protocol (by Dec 18) Provision of training on Member-Officer Protocol (by Dec 18) Corporate training to Officers plus briefings to all staff to reiterate the standards to be enforced (by Dec 18) Independent review by BDO as the internal auditors. 	12	Borough Secretary	Updated by Borough Secretary 20th December 2018

No	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Target Risk Rating	Risk Owner	Update & date
						Q2 18/19	Q3 18/19				
3	Inadequate succession planning, capacity and retention leading to service disruptions/non delivery	<ul style="list-style-type: none"> Salaries not competitive with LAs outside the local catchment area Reputation of the Council is not positive Perception of organisational instability Continual cost cutting Drift in staff morale Differing levels of engagement within the organisation Historic failure and disconnect of leadership to engage with staff Impact of unitary causing uncertainty Lack of HR strategic profile in the organisation 	<ul style="list-style-type: none"> Inability to recruit to roles (particularly key roles) Inability to retain staff (particularly key talent staff) Depressed staff morale Increased staffing costs due to agency/interim costs Staff leaving (particularly key staff) take their organisational knowledge out of the organisation when they leave No succession planning is possible particularly around specialist and qualified posts Reduced organisational effectiveness and performance Lack of organisational resilience 	20	<ul style="list-style-type: none"> Recruitment process changed eg. to advertise more widely, use of dynamic job ads and increase use of specialised agencies to find permanent staff or fixed term applicants Benefit of council pension scheme headlined to attract staff Performance appraisal rewards highly effective staff Family friendly policies, eg maternity and paternity leave Generous holiday allowance Subsidised car-parking Guildhall location Flexible working hours New Chief Executive recruited 	12	12	<ul style="list-style-type: none"> Review of staff Terms and Conditions (December 2018) Review of performance appraisal process (December 2018) Investigating the use of one common method of job evaluation (December 2018) A number of initiatives in wellbeing and communication being considered for deployment (On-going) Roll-out of Leadership Development Programme (On-going) Introduction of talent management and succession process (December 2018) Promote unitary as an opportunity for development (September 2018 – March 2019) CMB is considering all options to reduce the risk and any impact, CMB is being informed by views from MTUCM 	9	CFO (S151)	Updated by CFO 27th November 2018
4	Inability to meet and manage the demands of homelessness in the Borough	<ul style="list-style-type: none"> Significant increases in the numbers of people who are homeless Significant increases in the number of people in temporary accommodation (TA) Welfare reform, eg. extension of the benefit cap reducing affordability of housing Households loss of private rented accommodation Difficulty in accessing private rented accommodation Shortage of social rented housing Homelessness Reduction Act increasing use of TA 	<ul style="list-style-type: none"> Increased demand leads to significantly greater costs for the Council Follow-on significant budgetary overspend occurs Pressure of financial impact of overspend of c£1.5m More homelessness applications Increased statutory duty to rehouse Increases of numbers of people in BB and TA accommodation 	16	<ul style="list-style-type: none"> Rigorous budget monitoring in place Regular financial reporting to Management Board, Portfolio-Holder & Cabinet Additional resources allocated (£100K for staffing) Increase in allocated TA budget (£300K) Two officers now focussing exclusively on TA 	10	10	<ul style="list-style-type: none"> Prepare Cabinet report to set out position statement for TA (February 2019) Prepare proposals to further mitigate cost <ul style="list-style-type: none"> Strategy for procuring cheap accommodation Slow demand restructure of Housing & options team (January 2019) 	10	Head of Housing	Updated by Head of Housing 5th December 2018

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5	Failure to manage, deliver or expose new risks as result of poor project management practice. Reputational damage possible.	<ul style="list-style-type: none"> Lack of a clearly-defined project management governance structure Lack of written procedures and related compliance as a source of assurance Inadequate checks and balances Inadequate project documentation maintained - business cases in particular 	<ul style="list-style-type: none"> Wrong decisions made on an unviable business case Continual review of the project – stopping the continuation on unviable project Reputation Financial costs Pressure on resources Pay back on investment funds if not delivering 	16	<ul style="list-style-type: none"> Gateway reviews conducted and reported to CMB for approval More robust governance processes (as per above risk on governance) Completion of Project Management Framework document Highlight reports reported monthly to CMB Project Managers are made accountable for reporting issues and risks to the Head of Economic Development and Regeneration 	12	12	<ul style="list-style-type: none"> Continue to develop and install more robust governance processes (Ongoing) Review of project management documentation to simplify and make it easier for reporting purposes. 	4	Head of Economy, Assets and Culture	Updated by Head of Economy, Assets and Culture 28th November 2018
6	Legal obligations under the Data Protection Act 1998 (and also the superseding GDPR EU Regulations in 2018) are breached and there is inappropriate access and/or disclosure, corruption or loss of data	<ul style="list-style-type: none"> Not implementing the new EU data protection legislation Lack of staff knowledge of policy and procedure Ineffective implementation of GDPR Regulation requirements Lack of an implementation plan for GDPR 	<ul style="list-style-type: none"> Data breaches Prosecution Fines Lack of confidence and public trust Reputational issues Member criticism 	20	<ul style="list-style-type: none"> Data sweeps Data governance Staff awareness Campaigns/refresher online training Data Protection Policy update May 2018 Follow up actions and lessons learnt communication to all staff through newsletters/all staff emails GDPR implementation plan in place Inclusion within re-launched corporate induction 	12	9	<ul style="list-style-type: none"> Continue with training on GDPR refresher courses for officers and members (ongoing) review and update of all policies and procedures (ongoing) Implement improved management of data storage (December 2018) Data audits (March 2019) 	4	Governance & Risk Manager	Reviewed by Governance & Risk Manager 12th December 2018
7	There are no clear plans for improving the economic prosperity and regeneration of Northampton.	<ul style="list-style-type: none"> Lack of skilled resource and vision Lack of local knowledge LGR creates political uncertainties No cohesive decision making in relation to regeneration strategy for Northampton between Officers and Members. 	<ul style="list-style-type: none"> Investors not investing in the town or pulling out of partnership arrangements Jeopardising current and future regeneration and growth projects Damage to Northampton as a place of choice 	16	<ul style="list-style-type: none"> Lessons-learned reviews being held Improved reporting through to CMB 	12	12	<ul style="list-style-type: none"> Plans being developed in terms of QA and process and service capability in structure Preparation of Economic Growth Strategy January 2019) Plans for regeneration and town centre to be developed (September 2018) Development of growth team 	2	Head of Economy, Assets and Culture	Updated by Head Economy, Assets and Culture 28th November 2018

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8	NBC fails to manage its contractual partnerships with: • LGSS • NPH • NLT • Veolia	<ul style="list-style-type: none"> Loss of direct management control over activities Poor governance Lack of contract monitoring at officer level Lack of quality control Performance monitoring information is not developed 	<ul style="list-style-type: none"> Services not delivered to quality, time and cost Failure in fulfilling legal responsibilities Hindering the achievement of the councils objectives Negative impact to customers and stakeholders reputational risk to NBC 	12	<ul style="list-style-type: none"> Taking remedial action where required e.g. HR and Payroll coming back in-house Quarterly reports and meetings 	9	9	<ul style="list-style-type: none"> robust contract monitoring and quality control Continual review of LGSS contract Holistic/virtual team of contract managers to share good practice 	8	CFO (S151)	Reviewed by CFO 27th November 2018
9	Major or large scale incident (accident, natural hazard, riot or act of terrorism) business interruption affecting the council resources and its ability to deliver services and risk to safety of staff and loss of staff	<ul style="list-style-type: none"> Accident, natural hazard, riot or act of terrorism or other business interruption 	<ul style="list-style-type: none"> Lack of business continuity Council not able to deliver front-line services Council failing to meet statutory responsibilities Risk of safety to staff and loss of staff Customer needs not being met 	20	<ul style="list-style-type: none"> Updated business continuity strategy and business continuity plans partially in place only for all services with some services remaining outstanding Refreshed Critical Incident Plan Emergency Planning Work-streams facilitated by Emergency Planning lead including town centre evacuation procedures Establishment of Gold and Silver duty rota (Reviewed Oct 2018) Review of high-rise buildings in the borough post-Grenfell On-going improvements identified and implemented as a result of participation in national and local exercises eg Cygnus (flu-pandemic) and Jerboa (flooding) exercises Involved in London Bridge briefings London Bridge guidance notes updated August 2018 Follow up briefing given to NBC key officers by CEO. Emergency Roles and responsibilities paper presented to CMB to address staffing shortages in the duty rota. Review concluded Dec 18 and shortage addressed. 	12	12	<ul style="list-style-type: none"> Continuing work to ensure all services at the Council put in place a business continuity strategy and plan (On-going) Continuing improvements to BC and Emergency Planning procedures to be implemented post operations e.g. 2018 Floods (on-going) Clarify arrangements for business continuity responsibility for key partner organisations (On-Going) Identification and risk assessments of reception centres (Dec 18) Training rolled out via LRF for all new Gold/Silver persons (Oct – Jan 2019) Specific exercise for NBC colleagues to be developed (Dec 2018) and then delivered (March 2019) 	9	CEO	Updated by CEO 20th December 2018

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10	Impropriety or improper business activities leading to fraudulent activity or malpractice	<ul style="list-style-type: none"> • LGSS services returning - HR and Payroll - shifting accountabilities • Lack of robust governance, procedure or process • Lack of robust internal controls • Inadequate reviews by internal audit on financial controls • No assurance from LGSS on effectiveness of controls 	<ul style="list-style-type: none"> • Avoidable financial loss • Criminal prosecution • Civil litigation • Fines • Lack of confidence from staff or public • Reputational damage • Member criticism 	15	<ul style="list-style-type: none"> • Counter-fraud strategy in place • NBC Fraud policy in place • Section 151 controls • Review of policy and procedure • Review of LGSS Finance SLA and process • Whistleblowing Policy approved by Council 	16	16	<ul style="list-style-type: none"> • NBC fraud policy to be reviewed (January 2019) • Reviews of financial controls within LGSS (March 2019) • gain assurance of controls through contract management of LGSS and internal audit (March 2019) 	10	Governance & Risk Manager	Reviewed by Governance & Risk Manager 12th December 2018
11	Significant decisions made at Council and Cabinet level are not sufficiently robust leading to ill informed decisions being made.	<ul style="list-style-type: none"> • Inadequate governance • Inadequate checks and balances 	<ul style="list-style-type: none"> • Civil litigation, including judicial review • Lack of confidence from staff or public • Court cases • Ombudsman reviews 	15	<ul style="list-style-type: none"> • Additional/Increased cabinet clearance protocols in place • Reworked clearance processes • EPB Officer/Member interface in operation to ensure greater understanding prior to cabinet/council meetings 	12	12	<ul style="list-style-type: none"> • Annual reviews of Democratic Services (March 2019) 	10	Borough Secretary	Updated by Borough secretary 20th December 2018
12	Inability of IT to service future requirements and or loss of IT due to failure or cyber-attack	<ul style="list-style-type: none"> • Poor governance • Lack of contract monitoring • Lack of quality control 	<ul style="list-style-type: none"> • Services not being delivered to customers • Business interruption • Inefficient business processes and technology not adequately exploited 	15	<ul style="list-style-type: none"> • Review of current LGSS SLA with IT to see what can be improved and remedial action taken • IT policies and procedures reviewed and refreshed • Review of IT equipment and infrastructure • PSN Compliance achieved • Lessons-learned review implemented following ransomware attacks in 2016/17 	10	10	<ul style="list-style-type: none"> • ICT Governance Meetings (On-going) • ICT Client Meetings to assess relationships and risks (On-going) • Completion of LGA stocktake as at 31st August 2018. • LGA stocktake results action plan implementation. 	10	CFO (S151)	Reviewed by CFO 27th November 2018

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13	There is non-compliance with fire and Health and Safety legislation.	<ul style="list-style-type: none"> Lack of a clear strategy Processes not followed Audits and inspections not completed in a timely manner Recommendations not escalated or followed up by service areas 	<ul style="list-style-type: none"> Continuing lack of a clear strategy /strategic direction Death or injury to public or staff Criminal prosecution or civil litigation Service stopped Loss of public trust Action by H & S executive or Northants Fire and Rescue Fines to organisation Corporate manslaughter charges Insurance claims Financial loss 	20	<ul style="list-style-type: none"> Corporate Health & Safety Group set up and in place Upskilling of managers in terms of H&S responsibilities Audit & Inspection Framework in place H&S Matrix in place cross-referencing role profiles to required H&S training Review of H&S policies and procedures and refreshed where appropriate Refresher staff comms and training Fire Marshal training completed Implementation of mandatory on-line training courses for all staff Corporate Health Safety and Wellbeing Policy presented to Council and signed off on 9th July 2018. Creation of a H & S Committee 	9	9	<ul style="list-style-type: none"> Restructure of the H & S delivery and service (2018) Communication and engagement with staff through October information/training sessions (On-going) Continued progress with H & S audits and inspections 	6	Governance & Risk Manager	Updated by Governance & Risk Manager 12th December 2018
14	Safeguarding arrangements are not adequate to protect or address concerns of vulnerable adults and children.	<ul style="list-style-type: none"> Staff lack of awareness of procedure or referral route 	<ul style="list-style-type: none"> Children or vulnerable adults harmed or put at risk of harm Criminal prosecution or civil litigation Seriously damaging reputation or NBC 	20	<ul style="list-style-type: none"> Procedures and referral routes reviewed and refreshed where necessary Refreshed procedures and referral routes communicated Designated Officer for Safeguarding as point of contact in place Series of presentations on CSE, including with Members and staff, to build awareness Increased joint working with County Council (Rise Team), other boroughs and districts, including with community safety, licencing and social landlords Scrutiny Review of CSE in the Borough Scrutiny Review gone to Cabinet Established an NBC officer group for tackling CSE. 	9	9	<ul style="list-style-type: none"> Hotel Watch exercise to be rolled out in conjunction with the Rise Team (March 2019) Full implementation of recommendations arising from the above Cabinet report (June 2019) Response to scrutiny review (December 2018) Implementation of audit recommendations from Safeguarding audit (July 2019) 	9	Head of Housing	Updated by Head of Housing 5th December 2018

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15	Failure to deliver enough new housing to meet targets and needs	<ul style="list-style-type: none"> Local housing market housebuilders not wanting to devalue their product by flooding the market increasing land values Scarcity of experienced tradespeople and of materials. 	<ul style="list-style-type: none"> Not delivering enough housing to meet local demand Increase in homelessness and demand for temporary housing Failure to meet local targets Failure to meet Housing Delivery Test resulting in increased targets Potential loss of decision making role Inability to resist housing proposals in unsustainable locations 	16	<ul style="list-style-type: none"> Secured planning Delivery Funding to recruit Housing Delivery Manager to liaise with housebuilders and establish what is delaying delivery Regular monitoring of local and market area delivery Flexible approach to planning applications Investigating investment in infrastructure to open up allocated sites and accelerate delivery Development of a Growth Deal to secure additional resources for affordable housing, infrastructure and capacity, and planning freedoms Promotion of role within Growth Corridor Cabinet approval of £4.2m Dallington relief road September 2018. DevCo formation October 2018 	9	9	<ul style="list-style-type: none"> Re-focus the role of Housing Delivery Manager vacant post and re-advertise (Spring 2019) Develop action plan (Spring 2019) Growth Deal submitted October 2018, but not supported by MHCLG/treasury. Currently seeking feedback on the Deal and how to progress it but MHCLG have failed to respond with agreed timescales NBC bid for HRA development - additional £20m capital into HRA account for 400 new homes over the next two years. (October 2018) 	9	Head of Planning	Updated by Head of Planning 12th December 2018
16	REMOVED Q3 2018: LGR risk, to be included within the main LGR project risk register										
17a	NEW RISK: Impact of Brexit on NBC services.	<ul style="list-style-type: none"> Brexit deal/no deal 	<ul style="list-style-type: none"> Has a direct impact on NBC services directly 	4	<ul style="list-style-type: none"> Monitoring Brexit information Continual CMB checking on services/staffing 	n/a	4	<ul style="list-style-type: none"> Discussed several times at CMB in October/November Updated Briefing Note being developed 2 hour training for all of CMB in Jan/Feb 2019 	4	CMB	Updated 20th December 2019
17b	NEW RISK: Impact of Brexit on Northampton economy.	<ul style="list-style-type: none"> Brexit deal/no deal 	<ul style="list-style-type: none"> Supply chain and people impact on businesses Economic impact drives up benefit claims 	6	<ul style="list-style-type: none"> Monitoring of Brexit information Regular communications with major employers 	n/a	6	<ul style="list-style-type: none"> Discussed several times at CMB in October/November Updated Briefing Note being developed 2 hour training for all of CMB in Jan/Feb 2019 	6	CMB	Updated 20th December 2019