

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in the on Monday,
27 September 2010 at 6:00 pm.

D Kennedy
Chief Executive

AGENDA

1. APOLOGIES

Please contact Nicola Pepper on 01604 837356 or
npepper@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. THE IMPACT OF THE CLOSURE OF HOUSING OFFICES
(Copy herewith)

T Ansell
x 8756

7. ANNUAL GOVERNANCE STATEMENT
(Report herewith)

B Lewis
x 7167

8. STATEMENT OF ACCOUNTS

- i. External Audit Update – ISA 260 Report
- ii. Statement of Account Changes

(Report to follow)

Neil
Bellamy/
Trevor
Croote
Audit
Commission

9. INTERNAL AUDIT PROGRESS REPORT 2010/11
(Report herewith)

C Dickens,
Internal
Auditor
(PWC)

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.”

Public Participation

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

Appendices



NORTHAMPTON
BOROUGH COUNCIL

Item No.

6

AUDIT COMMITTEE REPORT

Report Title	Rent Payments and impact of cash office closure in April 09
---------------------	--

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	27 th September 2010
Policy Document:	No
Directorate:	Housing
Accountable Cabinet Member:	Councillor Beardsworth

1. Purpose

1.1 To inform Audit Committee of the current level of rent arrears and the effect or otherwise of the closure of area cash offices in April 2009

2. Recommendations

2.1 That Committee note the contents of the report

2.2 There are no identifiable issues around the collection of rent that can be attributed to the closure of the Cash offices

3. Issues and Choices

3.1 Report Background

3.1.1 A decision was taken to close the three remaining cash payment facilities at the Guildhall , Weston Favell and Kingsthorpe housing office in April 2009.

3.1.2 Alternative payment methods were introduced to increase the number of paypoints available to tenants along with the introduction of Direct Debit payments for Rents

- 3.1.3 Prior to closure around £180,000 rental payments were made at the available cash offices
- 3.1.4 Post closure there are in the region of £120,000 payments made at the available paypoints
- 3.1.5 In excess of 1000 tenants are now paying by direct debit.
- 3.1.6 Payments can also be made visa the Councils website and over the telephone

3.2 Issues

- 3.2.1 The number of locations that payments can be made now stands at 101 across the Borough, thus greatly increasing the availability of such paypoints for all tenants across the Borough.
- 3.2.2 Payments can be made at these locations outside of the traditional Monday to Friday 9-5 normal working
- 3.2.3 Direct debit payment dates are available on 4 dates during the month again increasing choice and flexibility for the tenant
- 3.2.4 Total arrears at the end of August 2010, were at the lowest level against available records (April 2003- present day)
- 3.2.5 Total arrears were £50,000 lower against the corresponding point last year
- 3.2.6 In month collection has exceeded the comparable month last year each month in the current year 2010-11
- 3.2.7 The number of tenants paying by direct debit has increased from 643 in April 2009 to 1009 in August 2010
- 3.2.8 A recent survey of those tenants in arrears found 74% were very or fairly satisfied with methods of payment available and just 35 fairly or very dissatisfied.

3.3 Choices (Options)

- 3.3.1 None

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 None

4.2 Resources and Risk

4.2.1 None

4.3 Legal

4.3.1 None

4.4 Equality

4.4.1 None

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 None

**Report Author: Tim Ansell
Housing Services Manager
Ext 8756**

Agenda Item 7

Appendices
1



NORTHAMPTON
BOROUGH COUNCIL

Item No.
7

Audit Committee

Report Title	ANNUAL GOVERNANCE STATEMENT
---------------------	------------------------------------

AGENDA STATUS: Public

Cabinet Meeting Date:	27 September 2010
Directorate:	Finance and Support – Finance Councillor David Perkins
Accountable Cabinet Member:	N/A
Ward(s)	

1. Purpose

1.1 To present the 2009/10 Annual Governance Statement to Audit Committee.

2. Recommendations

2.1 That the Audit Committee approves the Annual Governance Statement for its inclusion in the 2009/10 Statement of Accounts.

3. Issues and Choices

3.1 Report Background

3.1.1 The Accounts and Audit Regulations 2003, as amended in 2006, require the Council to formally adopt the Annual Governance Statement for inclusion in the published Statement of Accounts (which must be published by 30th September).

3.1.2 The system on internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance.

3.1.3 In many organisations the system (and statement) of internal control is often seen as an audit or finance function. The responsibility lies with both officers and Members. In summary:

- The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to value for money.
- In discharging this overall responsibility, the Council (elected Members and officers) is responsible for ensuring there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

3.1.4 The Annual Governance Statement is attached at Appendix 1.

3.2 Issues

As noted within the document, the control weaknesses are detailed in section 5.

3.3 Choices (Options)

N/A

4. Implications (including financial implications)

4.1 Policy

There are no direct implications in relation to the statement on internal control.

4.2 Resources and Risk

The system on internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance.

4.3 Legal

None

4.4 Equality

N/A

4.5 Consultees (Internal and External)

Management Board, Heads of Service and Internal Audit.

4.6 How the Proposals deliver Priority Outcomes

N/A

4.7 Other Implications

None

5. Background Papers

5.1 Office working file including evidence

**Cllr Brian Hoare, Leader
David Kennedy, Chief Executive
Isabell Procter, Director of Finance and Support
Francis Fernandes, Borough Solicitor
Bill Lewis, Head of Finance. Ext. 7167**

**NORTHAMPTON BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2009/10**

1 Scope of responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Northampton Borough Council has, through its cross party Constitutional Review Working Group agreed a local code of corporate governance which is scheduled to be adopted by Full Council in July 2010. The code format is based on the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007). The code, when implemented, will be subject to a review by Internal Audit.

This statement explains how the Council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

2 The purpose of the governance framework

The System of Internal Control and the Governance Framework have been in place at Northampton Borough Council for the year ended 31 March 2010 and up to the date of the approval of the statement of accounts.

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It is also designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

3 The Governance Framework

The Constitution is the relevant governance document and the Code of Governance forms part of it. Our governance framework is derived from the six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute Of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The commission

utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles that this governance framework follows are:

- 1) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- 2) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- 3) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- 4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- 5) Developing the capacity and capability of members and officers to be effective; and
- 6) Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of each of these core principles are as follows:

3.1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Council works through a number of strategic partnerships with other service providers in the area. These include the Local Strategic Partnership (LSP), Safer Stronger Northampton Partnership (CDRP) and Children and Young People's Partnership. To be effective and to maximise the use of our shared resources, we develop shared priorities and deliver them in the most effective way for the people of Northampton.

Many activities which deliver shared priorities are agreed through the Local Area Agreement (LAA) for Northamptonshire. The first LAA was Northamptonshire focused on delivering services and improvements to communities against four key themes. The second LAA for Northamptonshire was agreed with Government Office of the East Midlands in May 2008. The current LAA identifies key priority outcomes for the whole county as well as informing local priorities for Northampton to be delivered by the Council and its partners.

The focus is seven key areas:

- Stronger, empowered and cohesive communities
- Building Safer Communities
- Improved life chances for Children
- Improved adult health and well being
- A stronger local economy
- Improved environmental sustainability
- Tackling exclusion and promoting equalities

The Local Area Agreement will be the key delivery plan for the Northamptonshire Sustainable Community Strategy. The strategy was approved by the Public Service Board in October 2008 and sets out the vision and key objectives for the county

between now and 2031. A Northamptonshire Public Service Board has been established as the body responsible for delivering the second LAA and replaces the previous LAA Board. This Board will take a strategic view for the county as expressed in the 'Sustainable Communities Strategy for Northamptonshire'. It brings key strategic partners together to inform, drive and champion the strategic vision for the county in the longer term.

3.1.1 The partnership vision for Northampton

We believe Northampton should be a successful and confident town in which everyone who chooses to live here, work here or visit the town feels they belong, have a future, have financial stability and, where appropriate, business opportunities. It should also be a place that has a vibrant and diverse culture and welcomes a variety of lifestyles.

To achieve this the Northampton Local Strategic Partnership has developed a *Sustainable Community Strategy for Northampton*, which includes key themes from a similar county-wide strategy and focuses on key strategic objectives local to Northampton. The Northampton Local Strategic Partnership's vision is -

By 2011 Northampton will be:

- ***Recognised for good quality, environmentally friendly housing***
- ***Well served by modern and efficient public services***
- ***Safer***
- ***Cleaner***
- ***Healthier***

As well as planning services for the future growth of the area, we also intend to improve the quality of our services and make them more accessible to our customers now. By constantly improving to make sure our Council is amongst the best Councils in terms of public service by 2013, we will be able to tackle the opportunities and challenges effectively - challenges such as managing the growth of the area in a way that enhances the quality of life, bringing the town centre to life, renewing local housing estates and putting Northampton on the map, both regionally and nationally. All of this can only be delivered by working together with our partners.

In order to ensure that our plans meet the needs and aspirations of our local communities, and contributes to wider community outcomes, we consulted with local people and used their feedback to help to select **our** five priorities. These are:

- **Safer, greener and cleaner communities**
- **Improved homes, health and well-being**
- **A confident, ambitious and successful Northampton**
- **Strong partnerships and engaged communities**
- **An efficient, well managed organisation that puts the customer at the heart of what we do.**

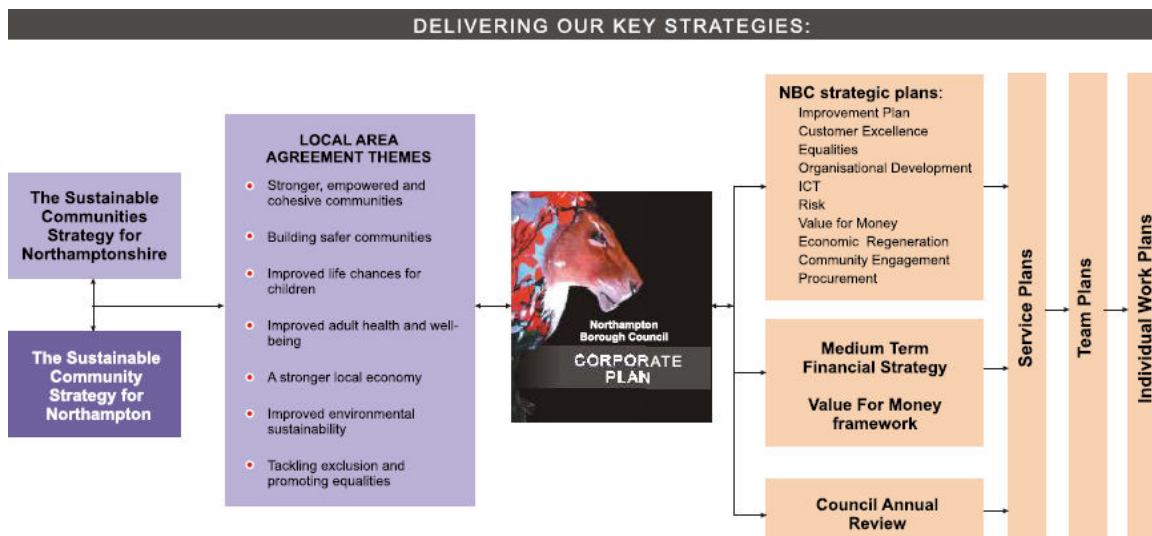
The Council uses information from corporate and service consultations, engagement through area partnerships and community forums as well as feedback from customers to check that these priorities remain important to the community and that service delivery meets their expectations. The Council also has a Residents Panel, which can be used for structured consultation with a demographically representative sample of the population.

The Council has adopted the following management aims, to ensure the above priorities are delivered. The management aims are to:

- Provide excellent customer service
- Engage in meaningful dialogue
- Make best use of our resources
- Be a single effective team
- Work to make Northampton a better place

The diagram below shows how the various groups and plans link together.

How We Deliver Our Key Strategies



3.1.2 Performance Management Framework

The Council has in place a comprehensive and robust performance management framework. The framework is reviewed annually to ensure that learning and improvement is captured and changes made where necessary.

The Council monitors delivery of its priorities and objectives through the performance management framework. A service plan is in place for each of the Council's service areas and the objectives set out in the key strategic plans (Sustainable Communities Strategy, Local Area Agreement, Corporate Plan) are embedded in these plans. The service plans represent the key plan for each service and clearly set out targets and actions for each service and how each service area contributes to corporate objectives and targets. The service plans address service-level improvements, including value for money objectives. Service plans also set out how each service will contribute to a range of corporate performance and improvement imperatives, including data quality, Equalities, and Employee Opinion Survey action plans. Local service improvement plans are reflected in the plans.

The performance management framework requires service plan targets and actions to be reviewed each month by the relevant departmental management teams (DMTs). At strategic management level the overall performance of each service is monitored at monthly Directorate and Portfolio Holder DMT meetings, independently supported by a member of the corporate performance team. These reviews, chaired by the relevant Director, address a range of performance aspects: risk management, financial performance, national and local performance targets, complaints and compliments.

Issues identified are discussed in one to ones with the Director and Chief executive. A DMT Report Pack extracted from the Council's performance software, Performance Plus, supports the meetings. From April 2010 a Management Board Data Set will be reported on a monthly basis to Management Board, as well as the monthly Cabinet performance reports. Service plans are reviewed at DMTs; this will ensure that plans remain current, that targets remain relevant and appropriately challenging and that the service is delivering the actions necessary to achieve the corporate objectives.

The Corporate Performance Team, who is responsible for ensuring that Data Quality processes and procedures are in place, collates performance information. A Data Quality Strategy is in place that sets out roles and responsibilities and the processes in place. Data Quality Level 3 was achieved in 2009/10. Data quality leads and data quality action plans are in place in every service area. Checks on background evidence for indicators are applied each month on a sampling basis, with full background checks quarterly by the corporate Performance Team. Information which has no background checks, or which has not been signed off by managers in the service area, is not permitted to go forward into our performance reports. Senior managers and Councillors are then informed of the reason for the missing or unvalidated data. These steps are necessary to ensure that decision makers have confidence in the data presented to them. During 2010 service area Data Quality Risk Ratings will be introduced and reported to Audit Committee on a quarterly basis.

Performance information is made widely available. All Councillors are provided with the monthly performance reports. Portfolio Holders have access to their own tailored performance pages on Performance Plus, which can be accessed at anytime. Notice Boards across all council premises are used to display performance information, ensuring that staff who do not use computers can still access up to date information on the performance of each service area. The reports are placed on the Council's website so that members of the public can access the information.

At a political level performance is monitored by Portfolio Holders each month in DMT meetings with Directors and Heads of Service. Monthly performance reports are presented to each meeting of Cabinet by the Portfolio Holder for Performance, advised by officers. These reports focus on performance against the Council's priorities and highlights performance exceptions in addition to an overview of performance against all indicators. The report looks at in month and year to date performance against targets. An annual outturn report analyses national quartile performance so that the Council's performance levels can be compared to the levels of the best performing councils.

The Performance Management Framework clearly sets out the flow of management information and accountability across the Council. The framework is reviewed annually to ensure that it remains fit for purpose.

3.1.3 Corporate Planning

As outlined in 3.1.1 above, the Council sets its priorities based on the views of residents and key stakeholders. The annual Corporate Plan is based around these priorities and sets out the outcomes we want to achieve against the priorities. The compilation of the annual budget is informed by the Corporate Plan and the priorities and outcomes contained therein.

3.1.4 Employee Development Scheme

At employee level we have established an Employee Development Scheme so as to jointly agree employee objectives and identify training and development needs. The

Scheme provides for an annual appraisal at which past performance is reviewed, and also provides for regular monitoring of performance during the year.

3.1.5 Review Processes

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

3.1.6 Procurement

A corporate procurement strategy and toolkit has been developed to ensure proper arrangements are in place for procurement of goods and services. Members and senior officers adopted this following review.

Contracts let during the year, as well as partnerships entered into, include appropriate arrangements for monitoring against agreed targets and indicators. A Procurement Monitoring Group has also been set up, where contracts over £20k are referred to the group, to ensure that the appropriate finance, procurement and legal rules are all adhered to.

3.1.7 Financial Regulations

The Council reviewed its financial regulations during 2007/08 with the updated financial regulations being approved by Council in November 2007. Revised procurement rules were adopted in March 2008, updating the previous guidance that covered 2004 to 2007. All budget heads are allocated to *named budget officers, who are* responsible for controlling spend against budgets, and who are also responsible for assets used in the provision of their services.

3.1.8 Risk Management and Business Continuity

The Council's Risk Management Strategy, which incorporates business continuity management, has been further improved in 2010. The Strategy clearly sets out the processes and responsibilities for managing risks across the authority and is supported by a Risk and Business Continuity Management Handbook.

Risks are identified and registers refreshed annually as part of the Service Planning process. This enables risks to be associated clearly to objectives and priorities, providing management with valuable monthly reporting, ensuring resources are targeted to the priorities and objectives most at risk.

Service-level risks are challenged monthly through the Directorate Performance Meetings and Management Board reviews Strategic risks quarterly.

The Council has approved critical functions and business continuity plans for these functions are well developed across the authority. A high proportion of these plans have been tested.

Assurance on the Council's risk and business continuity function is provided through a Quarterly Risk Review Meeting chaired by the Director of Finance and Support, through regular verbal and written updates to the Audit Committee and through internal audits.

3.2 Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure these are efficient, transparent and accountable to local people. The constitution reflects the 'Executive/Scrutiny' model following the Local Government Act 2000.

3.2.1 Cabinet

Cabinet is responsible for making executive decisions as defined by law and operates within the budget and policy framework approved annually by Full Council. Meetings are open to the public except when personal or confidential matters are being discussed. Cabinet Portfolio Holders have authority to make non-key delegated decisions in accordance with the Leader's Scheme of Delegations in the Constitution. Furthermore, senior and other officers of the Council can make decisions under delegated authority – again the extent of these delegations is set out in the Officers' Scheme of Delegations in the Constitution. The Council publishes a forward plan, which contains details of key decisions to be made by the Cabinet. Each Cabinet member has a specific portfolio of responsibilities requiring him or her to work closely with senior and other employees so as to achieve the Council's ambitions.

3.2.2 Management Board

The Council's Management Board, which consists of the Chief Executive, Directors (including the S151 officer), the Monitoring Officer, Assistant Chief Executive and Head of Human Resources, met on a weekly basis during 2009/10. The current structure for Management Board decisions is that it follows a three week cycle, one week it considers normal business matters, the next week it considers bigger business, requiring thirty minutes or more of discussion and the third week it considers items requiring extensive discussion or debate, for example policy development issues. Management Board also considers other internal control issues, including strategic risk management, performance management, compliances, efficiency and value for money, and financial management. Management Board meet with Cabinet on a monthly basis to review progress in achieving the Council's ambitions, priorities for action, performance management and forward planning for major issues. It has a corporate responsibility for the messages that the Council puts out, both internally and externally.

Below Management Board the management structure is well defined in a hierarchical manner, comprising the following groups in 3.2.3 to 3.2.5 below.

3.2.3 Corporate Briefing

This group consists of Management Board members and also all Heads of Service. The meetings are diarised weekly to meet as required. The agenda and meeting go ahead is agreed weekly by the Chief Executive.

The group, which is non-decision making, provides collective responsibility for:

- Providing corporate leadership
- Employee development
- Internal and external communications
- Performance management

- Co-ordinating and delivering corporate objectives and priorities for action
- Reviewing corporate policy
- Reviewing corporate standards
- Considering key operational matters

The format and further development of this meeting is currently under review.

3.2.4 Directorate Management Team (DMT)

Each Directorate has a DMT where the Director and Heads of Service meet to discuss Management Board feedback, council wide and service specific areas. DMT meetings:

- Ensure that directorates contribute to Management Board, Corporate Briefing and other teams/groups
- Ensures feedback from Management Board, Corporate Briefing and other teams/groups is communicated within the Directorate
- Provides a lead within Directorates to meet corporate requirements
- Ensures group corporate contribution
- Ensures communication of corporate requirements within and between teams within the respective directorate
- Ensures service area performance is reviewed through DMT Performance Report Packs

3.2.5 Managers' Workshop

The managers' workshop started in 2007/08 and has a planned roll out of corporate subjects. The workshop attendance covers over 100 managers across the Council.

3.2.6 Programme and Project Governance

The Council is currently delivering a number of organisational change projects, which are monitored through the delivery of a Change management Plan. The Plan captures initiatives that are either currently underway or are forecast to commence over the next 12-18 months.

In order to ensure that there are robust arrangements in place to ensure that programmes and projects make the best use of the organisation's resources, that risks associated with the investment are managed and that there is accountability for decisions made at programme or project level, a Change Management Governance process has been implemented.

As an organisation, we follow a 5 stage gated Change Management Process, which is a project management practice incorporating Prince 2. The gated process supports prioritisation and challenge of why how and when projects should be initiated to deliver major change within the Council and enables ongoing checks and decision points to review the viability of projects and cease delivery if required.

There are several levels of governance in the Change Management process:

Project Initiation Group (PIG)

A group delegated by Management Board to assess requests to initiate new change projects from across the Council to ensure the business case for undertaking the project fits with corporate objectives, provides sound VFM and challenges whether the Council has the resources available to deliver the project. The Project Initiation Group makes recommendations to Management Board on both project start up and business

case approval, as well as regular updates when gateway reviews are undertaken at relevant points within the 5 gated project process.

Prime responsibilities

- Review all Project Initiation Requests (PIRs) viability against the change assessment criteria
- Review and challenge business cases and make recommendation to Management Board on their viability
- Provide an approval or reject recommendation to the Management Board on all PIR and Business Cases
- Make the necessary recommendation on reprioritisation of the change management plan to Management Board as and when required
- Communicate progress of the NBC change plan and report on updates to the Management Board and Members
- Conduct Quality Gate Reviews on major projects/programmes and provide recommendation to Management Board and on its findings and recommendations
- Facilitate the appeal process for all PIR and Business Case that have been unsuccessful in their evaluation by PIG and Management Board

Management Board

Approves or rejects project start up and business cases, requests for funding and receives updates on project progress.

Political Oversight Meetings

The Leader of the Council, Portfolio Holder for Finance and the Chief Executive receive dashboard exception reports detailing programme/project progress at a monthly meeting. This progress review meeting is used to identify projects to be scrutinised in detail. The relevant Director Sponsor for the project selected is invited to a monthly challenge session where issues and progress are discussed.

Programme governance is led by programme boards chaired by the relevant Director Sponsor and their main role is to ensure that the programme delivers the overall **outcome** of its business case. They report progress by exception to the Corporate Virtual Programme Office on a monthly basis to support organisational monitoring.

Project governance is led by the project board and they have responsibility for the overall supervision, direction and authority for decision-making in the project. They report progress and issues by exception to the relevant Programme Board.

3.2.7 Other specific group meetings

There are also corporate groups for Equalities, Use of Resources, ICT Exchange Group, Procurement Monitoring Group (PMG) to name a few.

3.2.8 Codes and Protocols

The Council has adopted a number of codes and protocols that govern both Member and officer activities. These are mainly reviewed annually:

- Members Code of Conduct
- Members Register of Interests
- Officers Code of Conduct
- Officers Register of Interests

- Protocol for Members and officers regarding probity planning
- Protocol on Member/Employee relations
- Register of Gifts and hospitality – Members and Officers
- Counter Fraud
- Whistleblowing policy
- RIPA Policy
- Complaints and compliments procedures

3.3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council has designated the Borough Solicitor as the Council's Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. The Monitoring Officer also supports the Standards Committee and is the nominated officer for Whistleblowing. After consulting the Chief Executive and Director of Finance, he will report to the Council, under Section 5 of the Local Government and Housing Act 1989, if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Council's Standards Committee complies with best practice and has 3 independent members sitting on it.

The political and managerial leadership is engaged in the ethical agenda through meetings between the Chair of Standards and the Political Leaders and the Chief Executive. The Chair of Standards will now personally present the Standards Committee's annual report to a meeting of the Full Council.

The Standards Committee engages internally and externally through a communications strategy, which includes a newsletter and a revamped internet / intranet site.

3.3.1 Report on Governance Arrangements

Our internal auditors carried out an electronic governance survey in March 2010, as part of the planned 2009/10 audit work. A similar survey was carried out in 2006/07, which was compared with the 2009/10 results.

In summary, the results indicate that perceptions of the strength and quality of governance have increased for Members and senior management as a whole since the 2006/07 survey.

3.3.2 Finance and Audit Services

The financial management of the Authority is conducted in accordance with the financial rules set out at Article 13 and the Financial Regulations section within the Constitution. The Council has designated the Director of Finance as the Chief Finance Officer in accordance with Section 151 (S151) of the Local Government Act 1972. The Head of Finance and Assets is the deputy S151 officer. The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Council Plan.

The Council maintains an Internal Audit service provided through a contract with PricewaterhouseCoopers, who operate to the standards set out in the 'Code of

Practice for Internal Audit in Local Government in the UK'. Individual services produce annual service plans. These Service Plans are updated each year so as to incorporate the Council Plan requirements into service activities, so that services know what they are required to do to achieve the Council's priorities and ambitions. These plans also identify any governance impact.

Our external audit services are provided by the Audit Commission, who audit our statement of accounts, data quality, grant returns, whole of government accounts and national fraud initiative.

3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

3.4.1 Regulatory Functions

The Council has several committees which carry out regulatory functions.

- Cabinet, which makes executive decisions
- A Planning Committee to determine planning applications and related matters;
- A Standards Committee that promotes, monitors and helps to maintain high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the Borough;
- An Audit Committee to provide assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the Council.

The Audit Committee has become a very effective committee meeting. During 2009/10, the committee has again monitored the delivery of internal audit recommendations through the output of the Teamcentral system. The Committee has requested officers to attend where recommendations have not been implemented by the due date. This is now moving onto audit reports that have a no or limited assurance rating, as the audit recommendations are largely implemented on time now. This has led to improved internal control with the audit recommendations being implemented on a timely basis.

The committee also reviews risk registers and will also approve the 2009/10 Annual Governance Statement (AGS) and Statement of Accounts. The committee received its annual training from our internal audit providers PWC in March 2010;

- A Licensing Committee, which monitors and reviews the effectiveness of the Council's licensing policy and procedures;
- General Purposes Committee, which is a sub-committee of Full Council and makes decisions which are not the responsibility of the Executive or other committees;
- Appointments and Appeals Committee, which has responsibility for appraising senior officers and dealing with certain disciplinary/grievance matters.

3.4.2 Scrutiny Functions

Since May 2007 the Council has operated with four committees which carry out the Overview and Scrutiny (O&S) function. These are:

- Overview and Scrutiny Management Committee, made up of the chairs and vice-chairs of the three Overview and Scrutiny Committees - sets workplan, allocates resources, oversees Member training in O&S area, and reviews arrangements for involvement by Councillors and the public.
- Overview and Scrutiny Committee 1 - Partnerships, Regeneration, Community Safety and Engagement
- Overview and Scrutiny Committee 2 - Housing and Environment
- Overview and Scrutiny Committee 3 - Improvement, Performance and Finance

The Overview and Scrutiny Committee structure has been recently reviewed. The Scrutiny Management Committee has been disestablished and one scrutiny committee has been established with the power to create 3 standing Panels to conduct particular work commissioned by the parent Committee. These proposals were recommended by the he Constitutional Review Working Party and approved by Full Council in May 2010.

Overview and Scrutiny is a key part of the modernised arrangements for governance in local councils and also an important mechanism for driving forward performances in services. The four key legislative roles are: -

- Holding the Executive to account
- Policy development and review
- Best Value Reviews
- External Scrutiny

Overview and Scrutiny provides the opportunity for Councillors that are not members of Cabinet to examine various functions of the Council, to question how key decisions have been made and to champion issues of local concern to residents.

Overview and Scrutiny is charged with finding ways of ensuring that the issues that matter to the public are the focus of their attention, and with finding new ways of getting citizens involved in the things that affect them. Overview and Scrutiny has considerable powers:

- Holding decision makers to account
- Challenging and improving performance
- Supporting the achievement of value for money
- Challenging the ways things are done
- Influencing decision makers with evidence based recommendations
- Bringing the evidence and views of stakeholders, users and citizens

Overview and Scrutiny is Councillor led. As well as Councillors leading on the review of topics, where they research issues and develop recommendations, they are also involved in setting the Overview and Scrutiny Committee, bringing forward topics and issues, identifying who they want to hear from to help their work and what they want to know and how they want it presented to them.

3.5 Developing the capacity and capability of members and officers to be effective

The Council has a structured Councillor development programme which is informed by corporate priorities, legislative changes and individual personal development plans for Councillors. The programme is overseen by the Councillor development group, which

comprises of Councillors from all political groups and officers to determine priorities and agree programmes of development on a rolling three-month programme. It also evaluates and monitors outcomes from development sessions.

Extensive Members training was undertaken during 2009/10. The developments focused on three key areas: Knowledge briefings, personal skills development and Committee Development Sessions. Some topics covered in knowledge briefings were: Emergency Planning, Community Safety, and Financial Budgets & Service Planning. Personal skills development was identified through Personal Development Reviews (based on the IdeA competencies). These ranged from IT skills, developmental conferences and nominated delegates attending the IdeA Leadership Academy. Training was conducted for Committee members in the areas of Planning, Licensing, Standards & Overview & Scrutiny.

3.6 Engaging with local people and other stakeholders to ensure robust public accountability

The Council has adopted a community engagement strategy. This sets out its principles for talking to and understanding the needs and opinions of residents, forums, community groups, stakeholders and partners, and how they can get involved in community life and decision-making. Detailed work is being carried out to develop a co-ordinated programme of engagement activities to support the implementation of the strategy.

A comprehensive communications strategy is also being prepared, which will make sure that the Council gets its message across, is able to inform local people of what it is doing and what they need to know, protects the Council's reputation and improves how it communicates with its own staff.

4 Review of Effectiveness

4.1 Overall Review of Governance Framework

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The process adopted during 2009/10 for a review is below; this will be strengthened during 2010/11:

The AGS group was set up to agree the approach and necessary contributors for the production of the draft AGS and its circulation for comments. The process included:

- Contributions and comments from Heads of Service.
- Internal Audit review for comment
- Review and approval by Management Board
- Review and approval by the Audit Committee

The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2009/10.

The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The Monitoring Officer

The Borough Solicitor (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes. A full review of the Constitution was undertaken during the latter part of 2007/08 to ensure it was accurate and reflected current best practice and legal requirements. A further review is currently underway through the Cross Party Constitutional Review Working Party (CRWP) and partial changes were approved by Full Council in May 2010 with a further review of the full constitution to be considered by Full Council in July 2010.

4.3 Overview and Scrutiny

The Council's three Overview and Scrutiny (O&S) Committees are described above. They can establish Standing Panels groups, which look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Executive (Cabinet). The O&S Committees can "call-in" a decision that has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. Call in can be referred to O&S by at least two Councillors.

A good example of the call in process at NBC is detailed in an article by the Centre for Public Scrutiny (CFPS), where the Sixfields plan was called in. The article notes that it was effective use of the call in process.

During 2009/10 examples of what the then task and finish groups carried out for the O&S Committee included:

- **Community Centres:-**

To support the development of policy in relation to:-

- The provision of premises for community use, and
- The role of Northampton Borough Council in such provision
- Monitoring any budget proposals in relation to community centres

- **More facilities for older children and young adults**

- To investigate the facilities and activities (recreational, social and cultural) available for 13-19 year olds, including those with special education needs and those with disabilities up to the age of 25.
- To evaluate whether such facilities and activities are on a paid for or free of charge basis.

- **Scrutiny of the West Northamptonshire Emergent Joint Core Strategy**

- To recommend to Full Council, Northampton Borough Council's formal response to the consultation on the West Northamptonshire Emergent Joint Core Strategy
-

- **Sheltered Housing and Housing Options for Older People**

- To establish whether the Sheltered Housing Service provides a value for money service and how it can be improved.
- To establish residents' satisfaction levels and understanding of Sheltered Housing and Housing Options for Older People

- To determine a better understanding of the complex nature of Sheltered Housing

An Overview and Scrutiny Work Programming event was held in March 2010. Non-Executive Councillors, in Groups, supported by a Director and a Head of Service put forward suggested issues for inclusion on next year's Overview and Scrutiny Work Programme. Cabinet Members were invited to attend the event to inform of their priorities and objectives for the year. The Leader of the Council provided a précis of Cabinet's priorities and objectives and along with other Portfolio Holders present provided further information as required to the workshop on these issues. The Overview and Scrutiny Management Committee considered the issues suggested for inclusion and agreed that the Overview and Scrutiny Work Programme 2010/2011 be ratified by the new Overview and Scrutiny Committee at its first meeting in the new Municipal year. Issues on next year's Overview and Scrutiny Work Programme include: -

- Leisure Strategic Business Review
- Pre decision Scrutiny: Procurement (Market Testing) of Environmental Services
- Northamptonshire Alcohol Strategy
- Commissioning Framework for the Third Sector

Two previous Scrutiny Reviews have been submitted to the CfPS' Good Scrutiny Awards 2010 for awards as an example of best practice. The Overview and Scrutiny Review – Customer Services nomination in the category 'added value' and the Overview and Scrutiny Review into the contaminated water incident in Northamptonshire in the category 'joint working'. The shortlist will be announced on 26 May 2010 and winners on 30 June 2010.

The CfPS refers to the Overview and Scrutiny Review into the Contaminated Water incident in Northamptonshire as an example of good practice of how there can be co-ordination between Councils in addressing an issue that crosses authority boundaries and the efforts that were made to engage with the public, both as a Council and by individual Members.

The Committee will also be conducting a base-line review using either a bespoke one or the Audit Commission's Ethical Government toolkit. A programme to policy reviews will form part of the work programme.

4.4 Standards Committee

The Standards Committee has produced periodic newsletters for the benefit of Members, Parish Councillors and relevant officers, to provide updates on the national position, advice on matters in relation to Standards generally and to also remind Members of their obligations under the Code of Conduct, the Register of Interests, Gifts and Hospitality.

The Standards Committee held an "away-day" to develop an ambitious work programme for 2009/10, which will include strategies to develop the ethical agenda within the Council. The Committee will also be conducting a base-line review using either a bespoke questionnaire or the Audit Commission's Ethical Government toolkit. A programme to policy reviews will form part of the work programme.

In 2008/09, the local filter arrangements to deal locally with Member contract complaints was developed and implemented. A manual of procedures was developed and is being used by the Committee. A further review of the manual and Committee

structures is underway to enhance the operation of the local filter arrangements and manual of procedures.

4.5 Audit Committee

The Audit Committee has been very effective during 2009/10. An example is that all outstanding Internal Audit recommendations are reviewed at each meeting. Senior officers are requested to attend the committee to explain why recommendations have not been implemented within the agreed timescales.

The Committee through its review of outstanding recommendations, has certainly proved to assist in the number overdue that are now virtually nil.

A good example of the effectiveness and timely intervention of the Audit Committee, is that all three areas noted below as having significant control weaknesses have been reviewed by the committee.

4.6 Internal Audit

Internal Audit, under the terms of engagement, are required to provide those charged with governance with an opinion on the overall adequacy and effectiveness of the Council's:

- Risk management
- Control and;
- Governance processes.

Collectively this is referred to as "the system of internal control".

An audit plan is prepared each year and is agreed at the Audit Committee prior to the year commencing. For 2009/10 the audit plan was agreed at the Audit Committee meeting on 17th February 2009.

The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan and requires agreement or rejection by service manager and/or chief officers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below:

High Assurance: No control weaknesses were identified or some low impact control weaknesses were found.

Moderate Assurance: There are some weaknesses in the design and/or operation of controls, which could impair the achievement of the objectives of the system, function or process. However, their impact would be less significant or they are unlikely to occur.

Limited Assurance: There are some weaknesses in the design and/or operation of controls, which could have a significant impact, but should not have a significant impact on the achievements of the organisational objectives.

No Assurance: There are some weaknesses in the design and/or operation of controls, which could have a significant impact and may put at risk the achievement of organisational objectives.

Risk ratings, ranging from critical to low, are also included within the audit reports.

Significant progress has been made on a number of audited areas during 2009/10, most notably receiving a high assurance rating, with no recommendations, for the key areas of Budgetary Control and Treasury Management.

The Internal Audit service is subject to a review by the Council's external auditors, the Audit Commission, who place reliance on the work carried out by the section. Internal Audit also carries out an annual self-assessment that is reviewed by the Director and Head of Finance and external audit.

TeamCentral was introduced at the end of 2007/08. This software manages audit recommendations and monitors the adherence of implementing them by agreed dates. TeamCentral sends out automatic monthly reminders where the implementation dates of audit recommendations have passed without being closed. The reports from this system will also be used as part of the monthly Corporate Performance Review meetings and summary information is presented to the Audit Committee. The committee during 2009/10 has requested officers to be present at meetings to explain why recommendations have not been actioned.

4.7 Comprehensive Area Assessment

As part of the Comprehensive Area Assessment (CAA) framework for districts, the Council has been assessed under the 'use of resources' category. The overall score for 2008/09 was a 2, which is a good achievement to maintain this score from CPA, as CAA is a harder test. The 2009/10 score was being moderated by the Audit Commission and we were confident that we going to achieve some 3s. However, there was an announcement from the Audit Commission at the end of May 2010 that work on CAA, including the use or resources, ceased with immediate effect following the abolition of CAA by the new coalition government.

5 Significant governance issues

The 2008/09 statement highlighted significant control weaknesses in the following areas; debtors, creditors (Uniclass), payroll, bank reconciliations, fixed assets, housing rents and car parking income. Improvements made to these systems during 2009/10 mean that they are mainly no longer considered to have significant control weaknesses. However, debtors and creditors (Uniclass) are reported below again. Debtors are additional recommendations following the actions taken during 2009/10 and creditors (Uniclass) is repeated below due to the delay in the implementation of the IBS system.

Significant control weaknesses in relation to the following services for 2009/10 were identified by Internal Audit and highlighted to the Audit Committee at its meeting of 17th 2010 in the Annual Audit Report.

The report states that their work did not identify any significant control weaknesses that were considered pervasive in their effect on the system of internal control. However, isolated significant control weaknesses were identified in the following audits:

Significant Control Weakness areas	Action to address weakness
------------------------------------	----------------------------

	(examples)
<p>Core Financial Systems:</p> <p>Debtors and Uniclass Creditors.</p> <p>Debtors</p> <p>Specific concerns were raised with regards to:</p> <ul style="list-style-type: none"> i) The level of sundry debt over 90 days old and the effectiveness of the recovery process; ii) System functionality meant that new cases for some classes of debt, had not been put into recovery during the year; and iii) Examination of the bad debt provision showed that the IRAS percentage provisions had not been reviewed in light of the current economic climate. <p>Uniclass Creditors</p> <p>There was a poor response in addressing issues raised in this area in prior years. The implementation of IBS had been provided as a response to weaknesses in the Uniclass system, however this implementation has been delayed repeatedly and we expect that appropriate controls should be put in place in the intervening period.</p>	<p>The Audit Committee on 22nd March 2010 requested an update on both of these systems. A report was presented on each to the committee on 17th May and officers were challenged on progress and actions taken. In summary:</p> <p>Debtors</p> <p>On the high risk ratings:</p> <ul style="list-style-type: none"> i) Work on aged debt is to be prioritised ii) Measures have now been taken to address a system error in housing where new debt wasn't being put into recovery iii) The bad debt provision calculations will be reviewed and updated. <p>Uniclass creditors</p> <p>Interim measures, such as segregations of duties, have been put in place, prior to the change in system to IBS, which is on track to go live in July 2010.</p>
<p>Other Systems Audits:</p> <p>Grounds Maintenance</p> <p>Specific concerns were raised in relation to:</p> <ul style="list-style-type: none"> i) A lack of information in relation to job costing for the department along with associated cost and quality specification; ii) No schedule of work produced for the department including timings and frequency; and 	<p>Again, this is a report that the Audit Committee requested an update on. The Head of Neighbourhood Environmental Services on 22 March 2010 updated the committee on actions being taken to address the recommendations made by Internal Audit. These include restructuring to ensure staff are effectively utilised and performance managed and savings</p>

iii) At the time of our review, there was a projected overspend of almost £180k.	plans to address overspends and efficiencies are in place.
--	--

As a result of the above, Internal Audit can only give the authority limited assurance on the design and effectiveness of the system of internal control. However, at the Audit Committee meeting on 17th May 2010, advised that it would not be a huge leap to moderate, based on the improvements made to date continuing.

We propose to address the above matters, as set out in the table, to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

6 Certification by the Leader of the Council, Chief Executive, Director of Finance and the Monitoring Officer.

Signed:

Signed:

Date

Date:

Councillor Brian Hoare
Leader of the Council

David Kennedy
Chief Executive

Signed:

Signed:

Date

Date:

Isabell Procter
Director of Finance & Support
(S151 Officer)

Francis Fernandes
Borough Solicitor /
Monitoring Officer

Appendices

2



NORTHAMPTON
BOROUGH COUNCIL

Item No.

8

Audit Committee

Report Title	ANNUAL GOVERNANCE STATEMENT
---------------------	------------------------------------

AGENDA STATUS: Public

Audit Committee Meeting Date:	27 September 2010
Directorate:	Finance and Support – Finance
Accountable Cabinet Member:	Councillor David Perkins
Ward(s)	N/A

1. Purpose

1.1 To present the outcome of the 2009/10 annual audit to Audit Committee.

2. Recommendations

- 2.1 That the Audit Committee accepts the Annual Governance Report (ISA 260) (Appendix 1) of the Audit Commission and approves the adjustments to the accounts detailed therein;
- 2.2 That the Audit Committee approves the Council's Letter of Representation (Appendix 2).

3. Issues and Choices

3.1 Report Background

- 3.1.1 Audit Committee approved the draft Statement of Accounts for 2009/10 at its meeting on 28th June 2010.
- 3.1.2 Following this meeting, the accounts have been open to public inspection and have been audited by the Council's external auditors, the Audit Commission.
- 3.1.3 There were no issues raised by the public during the period of public inspection.

- 3.1.4 The Audit Commission have completed their audit and have produced their report to those charged with Governance; the Annual Governance Report, otherwise known as the ISA 260, is attached at Appendix 1.
- 3.1.5 Following the audit, it is standard practice for the auditors to request a letter of representation, attached at Appendix 2.

3.2 Issues

- 3.2.1 Changes, which have been made to the Statement of Accounts, are detailed in the Annual Governance Report on pages 19 to 21.
- 3.2.2 There are two items, which have been identified by the auditors, that have not been adjusted in the accounts. These are listed in the Annual Governance Report on page 22. These items have not been adjusted because the effect on the accounts is immaterial and there would be a significant amount of work required to implement the changes, outweighing any benefit. Further detail on this is contained in the letter of representation shown at Appendix 2.
- 3.2.3 The Council's auditors have identified a number of improvements which the Council could make for next year and these are shown in the Annual Governance Report on pages 27 to 30.

3.3 Choices (Options)

- 3.3.1 Audit Committee are asked to approve the changes to the Statement of Accounts 2009/10 and the Letter of Representation.

4. Implications (including financial implications)

4.1 Policy

None

4.2 Resources and Risk

4.3 Legal

The Council must publish the approved Statement of Accounts by 30th September.

4.4 Equality

None

4.5 Consultees (Internal and External)

Members of the Public during the Statutory Period of Public Inspection.

4.6 How the Proposals deliver Priority Outcomes

None

4.7 Other Implications

None

5. Background Papers

5.1 Office working files including evidence

Bill Lewis, Head of Finance. Ext. 7167

Annual Governance Report

Northampton Borough Council

Audit 2009/10

Date

Contents

Key messages	4
Next steps	6
Financial statements	7
Value for money	12
Glossary	15
Appendix 1 – Independent auditor’s report to Members of Northampton Borough Council	16
Appendix 2 – Amendments to the draft accounts	19
Appendix 3 – Unadjusted misstatements in the accounts	22
Appendix 4 – Draft letter of representation	23
Appendix 5 – Action plan	27

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Ladies and Gentlemen

2009/10 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2009/10.

A draft of the report has been agreed with the Director of Finance and Support.

My report sets out the key issues that you should consider before I complete the audit. It asks you to:

- consider the matters raised in the report before I give my audit opinion
- take note of the adjustments to the financial statements set out in this report (Appendix 2);
- take note of the errors in the financial statements I have identified which management has declined to amend and approve the reasons set out in the draft letter of representation for not amending the errors; (Appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Neil Bellamy
District Auditor

September 2010

Key messages

This report summarises the findings from the 2009/10 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements	Results	Page
Unqualified audit opinion	Yes	7-11
Draft financial statements free from material error	No	7-11
Adequate internal control environment	Yes	7-11
Value for money	Results	Page
Adequate arrangements to secure value for money	Yes	12-14

Audit opinion

- 1 My work on the financial statements is substantially complete, although there are some outstanding issues to be resolved. Should any further matters arise in concluding the outstanding work that need to be reported, I will raise them with the Director of Finance and Chairman of this committee. At this stage, subject to satisfactory resolution of the outstanding matters, I propose issuing an unqualified audit opinion.

Financial statements

- 2 At this stage, I have identified three material errors. Management has agreed to amend the financial statements for all errors with the exception of those in appendix 3.

Value for money

- 3 All specified criteria have been met and I intend to issue an unqualified value for money conclusion.

Audit fees

- 4 At this stage no changes to the audit fee are proposed but the position will be reassessed following completion of the audit.

Key messages

Independence

- 5 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

6 I ask the Audit Committee to:

- consider the matters raised in the report before I give my audit opinion;
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- take note of the errors in the financial statements I have identified which management has declined to amend and approve the reasons set out in the draft letter of representation for not amending the errors; (Appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before I issue my opinion.

Opinion on the financial statements

- 7 My work on the financial statements is substantially complete, although there are some outstanding issues to be resolved, including:
- confirmation of the accuracy of pension disclosures from the auditor of the Northamptonshire pension fund; and
 - agreement of the amended financial statements
- 8 Should any further matters arise in concluding the outstanding work that need to be reported, I will raise them with the Director of Finance and Support and Chairman of this committee. Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
- 9 The working papers to support the accounts were of a good standard. Officers responded promptly to audit questions and requests for additional information.

Errors in the financial statements

- 10 Adjusted errors are summarised in appendix 2 and unadjusted errors in appendix 3. There are no material unadjusted errors at this stage.
- 11 I can confirm that none of the amendments have impacted on the General Fund balance, HRA balance or net worth of the Council.

Recommendation

- R1** If the Committee decide to confirm management's decision not to amend the financial statements for the errors set out in appendix 3, provide reasons for the decision in the letter of representation.

Letter of representation

- 12 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation.

Key areas of judgement and audit risk

13 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
<p>Follow-up of matters reported by KPMG on the 2008/09 audit, including:</p> <ul style="list-style-type: none"> • Review of the basis for calculating the provision for bad debts; • Changing the approach to calculation of the profit/loss on sale of council houses to ensure SORP compliance; • Clearance of unallocated cash receipts • Review the approach to valuation of fixed assets to ensure all are covered within a period of 5 years; • Review of procedures for making year-end accruals. 	<p>All issues raised by KPMG last year have been addressed except for:</p> <ul style="list-style-type: none"> • The basis for calculating the bad debts provision has been updated for all debts except housing rents (see table 2 below) • There remains a large sum of un-allocated cash at 31st March 2010 (see table 2 and appendix 3)
<p>Detailed review and testing of implementation of accounting changes in the Statement of Recommended Practice (SORP), particularly in respect of local taxes and service concessions.</p>	<p>We have reviewed the accounting entries and there are no issues or concerns to report.</p>
<p>Review of compliance with additional disclosure requirements arising from changes in the Accounts & Audit regulations requiring additional disclosure of senior officers pay.</p>	<p>The new disclosure requirements have been met.</p>
<p>Review of accounting treatment in respect of potential liabilities arising from implementation of Single Status.</p>	<p>The pay and grading review has been disclosed in the contingent liabilities note with funds set aside in reserves. The amount set aside is not explicit within the note for confidentiality reasons.</p>
<p>Consideration of the ongoing impact of the economic downturn on asset valuations, accounting estimates and the risk of misstatement of the accounts.</p>	<p>All material accounting estimates were reviewed and no errors identified.</p>
<p>Review of the 2009/10 Annual Governance Statement to determine whether sufficient detail is included in respect of control</p>	<p>There remains scope to include more detail in the 2009/10 statement (see table 2). The statement has been revised to</p>

Financial statements

Issue or risk	Finding
weaknesses.	include further information.
Additional testing of journal transfers following weaknesses identified by Internal Audit.	Testing completed and no errors identified.

Accounting practice and financial reporting

14 I consider the non-numeric content of your financial reporting. Table 2 contains the issues I want to raise with you.

Table 2

Issue or risk	Finding
Provision for bad debts.	The Council has updated its approach to the calculation of its bad debts provision for all relevant debts, with the exception of housing rents, which is still based on guidance issued by CIPFA that has long since been withdrawn. It would be more appropriate to calculate the rents provision based on the Council's actual experience of the recoverability of debts.
Explanatory foreword	The explanatory foreword does not refer to the ongoing impact of the economic downturn and does not include an explanation of any of the major variances compared to the previous year (e.g. the big reduction in impairment costs in HRA, reduced investment income, major increase in pension fund liability etc). We would expect these to be included in order to provide a broad understanding of the accounts. Instead the explanatory foreword explains outturn against budget. As the budget doesn't appear in the financial statements, the explanatory foreword is more detached from the accounting statements than it could be.
Depreciation	The Council does not take the residual value of assets into account when calculating depreciation each year. It is unlikely that this will have a significant

Issue or risk	Finding
	impact on the financial statements.
Unallocated cash	KPMG reported last year that there was £653k of unallocated cash and recommended that action be taken to clear the outstanding balance. During 2009/10 officers identified and allocated £267k to debtor accounts, the remainder was transferred to the GF balance. However, a further £623k of income received in 2009/10 was unallocated at 31st March, of which £32k remained unallocated at the time of audit (see appendix 3).
Annual Governance Statement	In our view the original Annual Governance Statement included insufficient detail on the nature of the significant control weaknesses disclosed in section 5. The statement has been revised to include further information.
Creditors control account reconciliation.	We found the overall standard of working papers to be good. However, working papers to support the sundry creditors control account reconciliation had not been retained and cannot be produced retrospectively.
Post balance sheet events	Since preparation of the financial statements the government announced that public sector pensions would, in future, be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This change will reduce the overall pension fund liability and represents a non-adjusting post balance sheet event requiring an additional disclosure note in the accounts.

Recommendation

- R2** Review the basis for the calculation of the provision for bad debts in respect of housing rents to ensure that it reflects the Council's past experience of the collectability of debts rather than an out of date CIPFA model.
- R3** Consider expanding the explanatory foreword in future years to include more commentary and analysis of the financial statements such as explanations for significant year-on-year variances (rather than just budgetary variances) and the impact of any major issues affecting financial performance in the year (e.g. the economic downturn).
- R4** Include residual assets values in depreciation calculations in future.
- R5** Review arrangements for dealing with unidentified income to minimise the level of unallocated cash and reduce the risk of over-statement of debtor balances in future.
- R6** Ensure all prime system reports are retained to support the sundry creditors control account reconciliation in future.

Value for money

I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Value for money conclusion

15 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my findings and conclusions in the table below.

Table 3 Value for money criteria

Criterion	Met?
Managing finances	
<p><i>Planning for financial health:</i></p> <p>The Council has developed and improved its financial planning processes and has a track record of remaining within budget. Processes are efficient and effective, and continue to improve. Budget setting considers local and national priorities. Budget plans are consulted on, and feedback considered before the final budget is set.</p>	Yes
<p><i>Understanding costs and achieving efficiencies:</i></p> <p>The Council has a good understanding of its costs and has achieved savings in a number of areas. This is being assisted by the work of the Strategic Business Reviews and use of value for money (VFM) profiles. Weaknesses identified last year have started to be addressed. Plans for further efficiencies are in place which set clear targets, timescales and responsibilities. It is too early to measure the impact of many of these plans; the Council needs to ensure that it makes the changes and delivers the improvements anticipated.</p>	Yes
<p><i>Financial reporting:</i></p> <p>Financial reporting has continued to improve and is now meeting the needs of most users. Statements are accessible and reports are easy to read. Good management support is provided for Heads of Services and budget holders. Financial reports are available in a variety of formats, and include some environmental and performance information. Improvements in presentation are expected following the introduction of new performance management software, although this is not yet available to the public. The quality of the Council's working papers supporting the annual financial statements was good, and officers responded promptly to audit queries and</p>	Yes

Value for money

Criterion	Met?
requests for additional information.	
Governing the business	
<p><i>Commissioning and procurement:</i></p> <p>Savings and efficiencies have been achieved through improvements in procurement including development of the Northampton Area Procurement Service (NAPS) which the Council helped to establish last year. Joint procurement of the street-scene and waste management contract with a neighbouring council has helped to drive down tender costs. However, there remains significant potential which the Council is exploring but has not yet realised, such as implementation of Strategic Business Reviews, the PFI Contract on housing maintenance and the new agency contract.</p>	Yes
<p><i>Use of information:</i></p> <p>The Council has a good performance management framework that is underpinned by a Data Quality Strategy. There are clear plans to continue to improve. Reports look at what the Council has said it will do and highlights where it is both under performing and over performing. Senior officers and councillors are supportive of the plans. Clear regular reports about budget and performance help managers.</p>	Yes
<p><i>Good governance:</i></p> <p>Governance arrangements are sound. There is a clear vision for the governance of the Council. Responsibility and ownership for standards and ethical issues is clear. Governance in partnerships is less clear and reporting arrangements vary across the council. Work is ongoing to improve this, especially in respect of the Local Strategic Partnership (LSP).</p>	Yes
<p><i>Risk management and internal control:</i></p> <p>Risk management procedures are clear, effective and well resourced. Operational risks are reviewed locally every month and quarterly across the Council. Business continuity has improved and developed. Internal controls have improved in a number of areas and are now considered sound. Previous weaknesses (e.g. bank reconciliations) have been addressed and are now a strength. The Council has introduced a "recommendation tracker" for both internal and external auditor recommendations and officers are called to account by the Audit Committee if implementation is delayed.</p>	Yes
Managing resources	
<p><i>Natural resources:</i></p> <p>The Council has taken action to improve sustainability and reduce its impact on the environment. It has established a clear baseline and action plan for improvements. CO2 emissions are down and savings are being reinvested in further carbon reduction initiatives.</p>	Yes
<p><i>Workforce:</i></p>	Yes

Criterion	Met?
The Council has previously been assessed as having adequate arrangements in place for workforce management. I have confirmed there is nothing which would alter my assessment this year.	

Recommendation
<p>R7 Continue to develop commissioning arrangements and explore opportunities for further efficiencies whilst ensuring that existing plans (e.g. Strategic Business Reviews) are implemented and have impact.</p> <p>R8 Implement plans to develop and strengthen governance arrangements in respect of partnerships.</p>

- 16** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.

Glossary

Annual governance statement

17 A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

18 A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

Audit opinion

19 On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
 - whether they have been prepared properly, following the relevant accounting rules; and
 - for local probation boards and trusts, on the regularity of their spending and income.
-

Qualified

20 The auditor has some reservations or concerns.

Unqualified

21 The auditor does not have any reservations.

Value for money conclusion

22 The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix 1 – Independent auditor’s report to Members of Northampton Borough Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Northampton Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Northampton Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the

Appendix 1 – Independent auditor’s report to Members of Northampton Borough Council

effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in

Appendix 1 – Independent auditor’s report to Members of Northampton Borough Council

October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Northampton Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mr N Bellamy
District Auditor
Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SU

September 2010

Appendix 2 – Amendments to the draft accounts

I identified the following misstatements during my audit and management has made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

Table 4

Adjusted misstatements	Nature of adjustment	Income and Expenditure Account		Balance sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Cash flow statement (material error)	Movements in cash for NNDR of £9,564k and Council Tax of £712k were incorrectly included in the "revenue activities" section of the cash flow statement rather than "other liquid resources" as required by the Statement of Recommended Practice (SORP).				
Cash flow statement	The cash flow statement incorrectly includes £1,250k accrued interest in respect of investment income.				
Audit Fees.	KPMG audit fee of £80k was incorrectly included in "other services" rather than "audit services". Statutory inspection fee of £8k was				

Appendix 2 – Amendments to the draft accounts

		Income and Expenditure Account		Balance sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
	excluded.				
Investment properties (material error)	<p>A number of properties totalling approximately £32m have been incorrectly classified as investment properties as they are not held solely for investment purposes.</p> <ul style="list-style-type: none"> ● Investment properties ● Operational properties (Other Land & Buildings) ● Community Assets 			31,653 723	32,376
Investment properties	<p>The mis-classification of investment properties noted above has resulted in an under-statement of depreciation charges.</p> <ul style="list-style-type: none"> ● Fixed Assets (depreciation) ● Service Revenue Accounts ● Capital Adjustment Account ● Statement of Movements on General Fund balance (SMGFB) 	944	944	944	944
Leases	Disclosure of future lease commitments excludes £650k in respect of vehicle leases.				
Statement of Movements in the General Fund	The statement incorrectly aggregated HRA adjustments into				

Appendix 2 – Amendments to the draft accounts

		Income and Expenditure Account		Balance sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Balance (material error)	a single line rather than analysing across the various categories in the SMGFB. The sum of these adjustments was £9,505k				
Cash Flow Statement	Officers identified a classification error of £656k within the cash flow statement during the course of the audit.				

Appendix 3 – Unadjusted misstatements in the accounts

I identified the following misstatements during my audit, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities. If you decide not to amend, please tell us why in the representation letter. If you believe the affect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter.

Table 5

Description of error	Accounts affected	Value of error £ million
There was £623k of unallocated cash at 31st March 2010 of which £591k has subsequently been allocated to debtor balances. Consequently, both debtors and creditors at 31st March 2010 are over-stated.	Debtors	0.623
	Creditors (sundry creditors)	0.623
There was a balance of £90k on the Council's Payzone bank account on 31st March 2010 which has been excluded from the cash balance as it was not posted to the Councils main bank account until 1st April 2010. Consequently, the cash balance is under-stated and debtors over-stated.	Debtors	0.09
	Cash	0.09

Appendix 4 – Draft letter of representation

Mr Neil Bellamy
District Auditor
Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SU

Northampton Borough Council - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the Council and Councillors, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the *Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* which give a true and fair view of the financial position and financial performance of Northampton Borough Council and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected misstatements listed in appendix 3 of the auditor's Annual Governance Report are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council (the Audit Committee) and the reasons for not correcting these errors are as follows:

- The Council often receives money with inadequate information to automatically allocate the cash to customers' accounts. Before the cash is allocated, the Council accounts for the income as creditors on the basis that the Council either needs to find the correct account to allocate the income or, alternatively, must refund the money. At the 31st March 2010 there was £623k of unidentified income of which £591k was subsequently identified and allocated to debtor balances early in the following financial year. This figure is made up of many transactions and it would take a significant amount of work to post these transactions back into the previous financial year; the work involved significantly outweighs the value to the accounts and so the Council has taken the decision not to amend the accounts for 2009/10. The

Appendix 4 – Draft letter of representation

processes in this area have continued to improve and the levels of unidentified balances in 2010/11 have significantly reduced;

- The Alliance and Leicester Bank provide a service via Payzone outlets to enable the general public to pay monies to the NBC using an issued swipe card or bar code. The Council cannot pay into the accounts used by Alliance and Leicester to administer this service and cannot transfer the money on demand from Alliance and Leicester to the Council's accounts; the transfer from Alliance and Leicester to the Council is set in the contract. Currently these monies are paid over weekly with Alliance and Leicester counting a week from Wednesday to Tuesday. The time scale between a customer paying in and the Council receiving notification via an electronic file is around 4 days. The electronic files received from Alliance and Leicester during the night are automatically credited to the customer accounts via the income receipting system and so the information on the statement dated 31st March 2010 was received in file form on 1st April 2010 credited to the customer's accounts on the 2nd April 2010, although the cash not received until 9th April 2010. As the Council did not have the cash, nor had any idea as to how much cash there was before the file was received it was excluded from the year-end cash figure and was represented in the accounts as a debtor.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all member meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 4 – Draft letter of representation

Law, regulations, contractual arrangement and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair values

I confirm the reasonableness of the significant assumptions within the financial statements, including:

- the appropriateness of the measurement method;
- the completeness and appropriateness under the financial reporting framework; and
- the appropriateness of any adjustments to the fair value arising from subsequent events.

Group entities and joint arrangements

I confirm that there are no material group entities requiring the preparation of group accounts and no material joint arrangements requiring inclusion in the financial statements, other than those already disclosed and accounted for.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. We have no credit arrangements other than those already disclosed in the financial statements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events have occurred that would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements

Specific representations:

- The Council provided accurate information to the actuary for the purpose of calculating the required pension disclosures in accordance with FRS17 and the Local Authority Statement of Recommended Practice (SORP).
- There are no known bad debts other than those already provided for in the financial statements.
- There are no known material weaknesses in internal controls not already disclosed in the annual governance statement.
- There have been no disposals of fixed assets during the year other than those recorded in the financial statements.
- All provisions have been identified and accounted for in accordance with FRS12 and the Local Authority Statement of Recommended Practice (SORP).
- All impairments to fixed assets have been identified and accounted for in compliance with FRS 11 and the Local Authority Statement of Recommended Practice (SORP).
- The Council's registers of interest are complete and up to date in respect of members and senior staff.
- All significant contracts have then been examined to determine whether any may fall within the scope of IFRIC 12 as service concessions. There are no contracts that fall within this scope other than those that have been properly recorded and disclosed within the financial statements.

I confirm that this letter was discussed and agreed by members of the Audit Committee at its meeting on 27 September 2010.

Director of Finance & Support
Signed on behalf of Northampton Borough Council

Appendix 5 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2009/10 - Recommendations						
7	If the Committee decide to confirm management's decision not to amend the financial statements for the errors set out in appendix 3, provide reasons for the decision in the letter of representation.	3	Audit Committee	Yes	Reasons set out in draft letter of representation.	Sept 2010
11	Review the basis for the calculation of the provision for bad debts in respect of housing rents to ensure that it reflects the Council's past experience of the collectability of debts rather than an out of date CIPFA model.	3	Paul Foley Finance Manager	Yes	Agreed. The calculation will be reviewed and incorporated into the calculations for 2010/11.	2010/11
11	Consider expanding the explanatory foreword in future years to include more commentary and analysis of the financial statements such as explanations for significant year-on-year variances (rather than just budgetary variances) and the	2	Rebecca Smith Assistant Head of Finance	Yes	The explanatory foreword compares budget with outturn to tie in with the outturn reports and to put the accounts into context with the Council's normal	2010/11

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	impact of any major issues affecting financial performance in the year (e.g. the economic downturn).				financial reporting on budgets and budget monitoring. The points made have been noted and will review content for next year's statement of accounts.	
11	Include residual assets values in depreciation calculations in future.	1	Rebecca Smith Assistant Head of Finance	Yes	This will be reviewed and implemented in 2010/11. In respect of buildings it is anticipated that in most cases the residual value will relate to the land element and will therefore be non depreciable. In respect of the vehicle fleet the impact will be minimal as the vast majority of the fleet are on contract hire.	2010/11
11	Review arrangements for dealing with unidentified income to minimise the level of unallocated cash and reduce the risk of over-statement of debtor balances in future.	3	Philip Morrison Finance Manager	Yes	Steps are ongoing in the current financial year to identify swiftly unallocated receipts.	

Appendix 5 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	Ensure all prime system reports are retained to support the sundry creditors control account reconciliation in future.	3	Philip Morrison Finance Manager	Yes	Processes will be put in place to ensure that the reports requested by the auditors are retained.	2010/11
14	Continue to develop commissioning arrangements and explore opportunities for further efficiencies whilst ensuring that existing plans (e.g. Strategic Business Reviews) are implemented and have impact.	2	Director of Finance & Support	Yes	A number of Strategic Business Reviews are progressing and are having significant positive impact. The sale of Cliftonville House is nearing completion and the associated renovation of the Guildhall is well underway; Environmental services is currently in competitive dialogue and is anticipated to complete in May 2011; the review of non-operational property is complete and a programme of disposals has begun.	
14	Implement plans to develop and strengthen governance arrangements in respect of	2	Cara Boden Assistant Chief	Yes	A new protocol is due to be drafted and approved during 2010/11. The protocol is	2010/11

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	partnerships.		Executive		due to be launched, alongside a timetable for reviewing existing partnerships, in early 2011	

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, Braille, audio or in a language other than English, please call 0844 798 7070.

© Audit Commission 2010

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk



NORTHAMPTON BOROUGH COUNCIL

Mr Neil Bellamy
District Auditor
Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SU

Our Ref: IP/
Your Ref:
Please Contact: Isabell Procter
Ext/Direct Line: 8757 / 838757
Date: 27th September 2010
E-mail: iprocter@northampton.gov.uk

Dear Mr Bellamy

Northampton Borough Council - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the Council and Councillors, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the *Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* which give a true and fair view of the financial position and financial performance of Northampton Borough Council and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected misstatements listed in appendix 3 of the auditor's Annual Governance Report are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council (the Audit Committee) and the reasons for not correcting these errors are as follows:

- The Council often receives money with inadequate information to automatically allocate the cash to customers' accounts. Before the cash is allocated, the Council accounts for the income as creditors on the basis that the Council either needs to find the correct account to allocate the income or, alternatively, must refund the money. At the 31st March 2010 there was £623k of unidentified income of which £591k was subsequently identified and allocated to debtor balances early in the following financial year. This figure is made up of many transactions and it would take a significant amount of work to post these transactions back into the previous financial year; the work involved significantly outweighs the value to the accounts and so the Council has taken the decision not to amend the accounts for 2009/10. The processes in this area have

continued to improve and the levels of unidentified balances in 2010/11 have significantly reduced;

- The Alliance and Leicester Bank provide a service via Payzone outlets to enable the general public to pay monies to the NBC using an issued swipe card or bar code. The Council cannot pay into the accounts used by Alliance and Leicester to administer this service and cannot transfer the money on demand from Alliance and Leicester to the Council's accounts; the transfer from Alliance and Leicester to the Council is set in the contract. Currently these monies are paid over weekly with Alliance and Leicester counting a week from Wednesday to Tuesday. The time scale between a customer paying in and the Council receiving notification via an electronic file is around 4 days. The electronic files received from Alliance and Leicester during the night are automatically credited to the customer accounts via the income receipting system and so the information on the statement dated 31st March 2010 was received in file form on 1st April 2010 credited to the customer's accounts on the 2nd April 2010, although the cash not received until 9th April 2010. As the Council did not have the cash, nor had any idea as to how much cash there was before the file was received it was excluded from the year-end cash figure and was represented in the accounts as a debtor.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all member meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangement and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair values

I confirm the reasonableness of the significant assumptions within the financial statements, including:

- the appropriateness of the measurement method;
- the completeness and appropriateness under the financial reporting framework; and
- the appropriateness of any adjustments to the fair value arising from subsequent events.

Group entities and joint arrangements

I confirm that there are no material group entities requiring the preparation of group accounts and no material joint arrangements requiring inclusion in the financial statements, other than those already disclosed and accounted for.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. We have no credit arrangements other than those already disclosed in the financial statements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events have occurred that would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Specific representations:

- The Council provided accurate information to the actuary for the purpose of calculating the required pension disclosures in accordance with FRS17 and the Local Authority Statement of Recommended Practice (SORP).
- There are no known bad debts other than those already provided for in the financial statements.
- There are no known material weaknesses in internal controls not already disclosed in the annual governance statement.
- There have been no disposals of fixed assets during the year other than those recorded in the financial statements.
- All provisions have been identified and accounted for in accordance with FRS12 and the Local Authority Statement of Recommended Practice (SORP).
- All impairments to fixed assets have been identified and accounted for in compliance with FRS 11 and the Local Authority Statement of Recommended Practice (SORP).
- The Council's registers of interest are complete and up to date in respect of members and senior staff.
- All significant contracts have then been examined to determine whether any may fall within the scope of IFRIC 12 as service concessions. There are no contracts that fall within this scope other than those that have been properly recorded and disclosed within the financial statements.

I confirm that this letter was discussed and agreed by members of the Audit Committee at its meeting on 27 September 2010.

Director of Finance & Support
Signed on behalf of Northampton Borough Council

Appendices
1



NORTHAMPTON
BOROUGH COUNCIL

Item No.

9

AUDIT COMMITTEE REPORT

Report Title	Internal audit progress report
---------------------	--------------------------------

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	27 September 2010
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	Councillor David Perkins

1. Purpose

1.1 To provide the Audit Committee with a report summarising progress made against the approved internal audit plan.

2. Recommendations

2.1 Receive the report.

3. Issues and Choices

3.1 Report Background

3.1.1 Introduction

The report is produced to inform the Committee on internal audit activity in the current year up to the date of the Committee meeting. The report will give an update on reports issued and recommendations made as well as highlighting any issues that are considered appropriate to bring to the attention of the Committee.

3.1.2 2010/11 Plan Outturn

We have undertaken work in accordance with the 2010/11 Internal Audit Plan which was presented to Audit Committee at its meeting in March 2010

We have completed the fieldwork on both of the reviews for quarter 1, for Voluntary Grants and Community Safety (Licensing).

We have issued the Voluntary Grants report in final. The draft report was included in the previous Audit Committee report and there were no changes to the opinion between draft and final report.

We have issued the Community Safety (Licensing) report in draft

- The Community Safety (Licensing) review (**03 10_11 NBC Community Safety (Licensing)**) focussed on controls in place over licensing administered within the Community Safety function. The review focussed on the application processes, monitoring and inspection, enforcement action, management information and reporting, apportionment of costs and complaints amongst other areas. We have not identified any critical or high risk rated issues and have provided a **moderate assurance** draft opinion.

For quarter 2 we have completed fieldwork and issued final reports for Council Tax follow up and NNDR follow up.

- The Council Tax review (**05 10_11 NBC Council Tax**) was a follow up review of our prior year audit. We noted some progress in implementing prior year recommendations and raised no new issues. No assurance opinion has been provided as this was purely a follow-up review.
- The Non-domestic Rates review (**04 10_11 NBC NDR**) was also a follow up review of our prior year audit. We noted good progress in implementing prior year recommendations and raised no new issues. No assurance opinion has been provided as this was purely a follow-up review.

We have substantially completed audit work for the Cash Collection review and anticipate issuing a draft report shortly.

The Expenses review (staff and members) commences on the 22nd of September.

We have also performed additional work outside of the audit plan, at management's request, on Museums security and Decent Homes and are in the process of concluding on our findings.

For information we have provided an update in Appendix One regarding progress against the plan and a summary of status of recommendations made as part of the 2009/10 audit plan in Appendix Two.

3.2 Issues

3.2.1 As detailed in the report

3.3 Choices (Options)

3.3.1 N/a

4. Implications (including financial implications)

4.1 Policy

4.1.1 No implications other than enabling monitoring of internal audit reporting performance.

4.2 Resources and Risk

4.2.1 Risks may be highlighted as a result of audit issues being reported.

4.3 Legal

4.3.1 N/a

4.4 Equality

4.4.1 N/a

4.5 Consultees (Internal and External)

4.5.1 Director of Finance and Support and Head of Finance

4.6 Other Implications

4.6.1 N/a

5. Background Papers

5.1 Appendices to the report

- Appendix 1 – Progress against Plan
- Appendix 2 – TeamCentral report summary

Other individual internal audit reports are available if required.

Chris Dickens
Senior Manager
PricewaterhouseCoopers LLP
01509 604041

Appendix One

Planned activity	Planned days	Actual days	Status
1. Core Financial Systems – Fundamental assurance			
▪ Council Tax	8	8	Final Report
▪ Non Domestic Rates (NDR)	6	6	Final Report
▪ Cash Collection	7	6	Fieldwork completed
▪ General Ledger	8	0	Quarter 3
▪ Debtors	8	0	Quarter 3
▪ Creditor Payments	10	0	Quarter 3
▪ Payroll	10	0	Quarter 3
▪ Budgetary Control	8	0	Quarter 4
▪ Bank Reconciliations	7	0	Quarter 3
▪ Housing Benefits	10	8	Quarter 4
▪ Fixed Assets	6	0	Quarter 4
▪ Housing Rents	8	0	Quarter 3
▪ Expenses	7	1	Audit commencing 21 September 2010

Planned activity	Planned days	Actual days	Status
2. Operational system reviews – risk based assurance			
▪ Carbon Reduction Commitment	10	1	Quarter 2 – Scoping meeting held
▪ Human Resources	13	0	Quarter 3
▪ Westbridge Depot	15	1	Quarter 2/3 –Scoping meeting held
▪ Voluntary Grants	7	1	Final report issued
▪ Void management	7	0	Work deferred to Quarter 3 at request of management
▪ Procurement/VFM	10	0	Quarter 3
▪ Licensing	13	12	Draft report
▪ Planning Application	8	0	Quarter 2
▪ ICT audits	15	0	Quarter 3
▪ Insurance Claims	5	0	Quarter 3

Planned activity	Planned days	Actual days	Status
3. Strategic – performance assurance			
▪ Risk management & Business Continuity Arrangements	5	0	Quarter 3
▪ Governance – management information	10	0	Quarter 3
▪ Performance management and SBR governance	12	0	Quarter 3
▪ Anti fraud and corruption	10	0	Quarter 3

Planned activity	Planned days	Actual days	Status
4. Other			
▪ Specific follow up reviews:	7	0	
➤ Temporary Accommodation			Work deferred to Quarter 3 at request of management
➤ Home renovations			Work deferred to Quarter 3 at request of management
➤ Partnerships			Quarter 4
➤ Citizen Engagement			Quarter 4
▪ General follow up/Team Central	12	3	TeamCentral training maintenance and follow up
▪ NFI	15	0	Quarter 4
▪ Audit Management	18	5	Continuous

Total	295	48	
Plus additional work (see table below)	0	20	
Outturn	295	72	

Additional Work	Planned days	Actual days	Status
5. Further work undertaken at request of Management			
▪ Decent Homes review	10	10	Draft Report
▪ Museum security review	10	10	Draft Report

Appendix Two

TEAMCENTRAL 2nd September 2010

Year	Number of recommendations made	Implemented / Closed	Outstanding
2009/10	132	108	24 (13 not yet due)

The table above shows the position as at the 2nd September 2010.

Note:

- Only finalised reports are being tracked through TeamCentral
- The 11 overdue recommendations relate to Grounds Maintenance (5), Freedom of Information (1), General Ledger (1) and Housing Rents (4).

Updates regarding the status of work performed to date regarding these overdue recommendations have been added to TeamCentral or sent to internal audit by email. These will be monitored going forward to ensure that progress is being made with implementation.

© 2010 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to the PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

In the event that, pursuant to a request which Northampton Borough Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Northampton Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and [insert client's name] shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, [insert client's name] discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.