

www.pwc.co.uk

# *Internal Audit Report 2016/2017*

## Environmental Services

**Northampton  
Borough Council**

**FINAL**

**October 2016**

▶ Click to launch



**pwc**

# Contents

## Executive summary

1



## Background and scope

2



## Current year findings

3



## Appendices

- A. Terms of reference
- B. Limitations and responsibilities

4

---

### Distribution list

---

For action:

Julie Seddon, Director of Customers & Communities

Francis Fernandes, Borough Secretary and Monitoring Officer

---

For information:

Glenn Hammons, S151 Officer

David Kennedy, Chief Executive

Audit Committee

---



## Executive summary (1 of 4)



### Summary of findings

We have reviewed the governance and decision making processes in place supporting the Council's assessment of the re-provisioning of its environmental services. Background to the project and a summary of the work undertaken is set out in Appendix A. Our key observations are set out below.

#### Overall governance processes

From discussions with key stakeholders, attendance at a Project Team meeting and review of project management documentation, it appears that the governance processes put in place around the project are robust and include, for example:

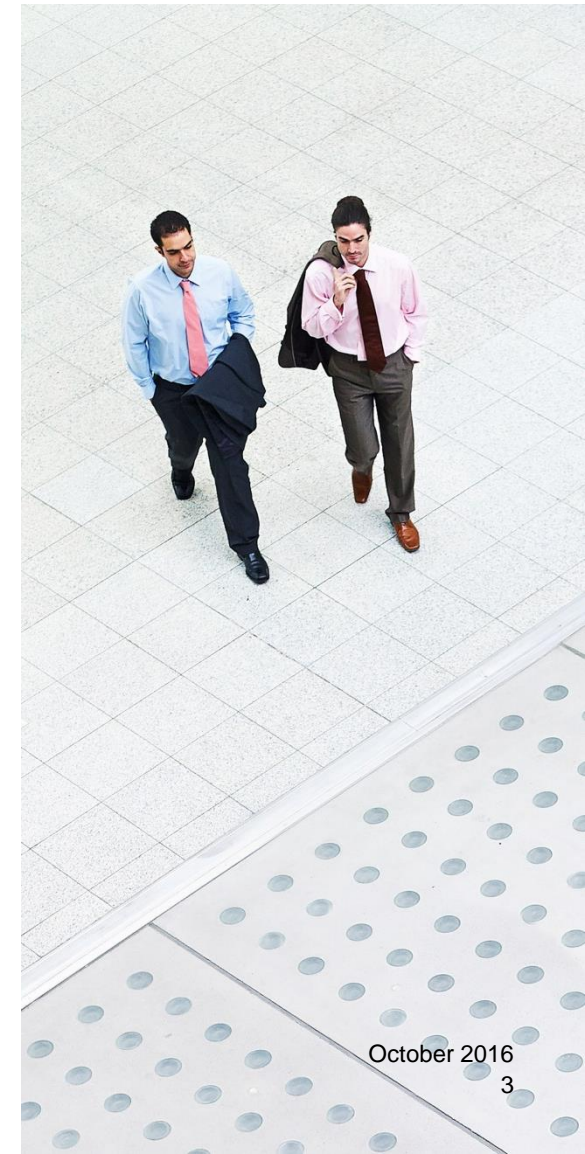
- good reporting structures to regularly highlight project performance, risks, progress and potential issues;
- involvement in the project from key areas of the Council, including operations, finance, HR, legal, community and assets in Project Teams and Programme Boards;
- mechanisms in place to ensure good linkage and accountability between these groups;
- capture and tracking of minutes and actions; and
- terms of reference to define the activities and roles of each group.

Certain aspects will need to be finalised as the Council moves into the delivery phase of the project, such as developing the Business Case for the chosen commissioning option, defining appropriate objectives, benefits and performance indicators and updating the project plan accordingly.

As in all projects of any size and complexity, the proof of pudding with governance arrangements is the ability to sustain them meaningfully throughout the project; there are always risks here, including changes in personnel, distraction and business. The Council will need to keep this project under regular review.

#### Decision making process

The recommendation to the Programme Board and Cabinet will be based on a combination of financial modelling supported by an external consultant (Eunomia), a qualitative assessment of what the Council wants from the service (flexibility, cost certainty etc) and consultation with the community to get their views.



## Executive summary (2 of 4)



### **Financial modelling**

Eunomia has supported the Council by completing cost modelling around different service configurations and service delivery models to provide an indicative cost for the preferred commissioning solution. This financial modelling has been based on a build-up of costs for the current service, as provided by the incumbent, along with assumptions such as financing options, pension arrangements, recycling levels, expected profit margins etc.

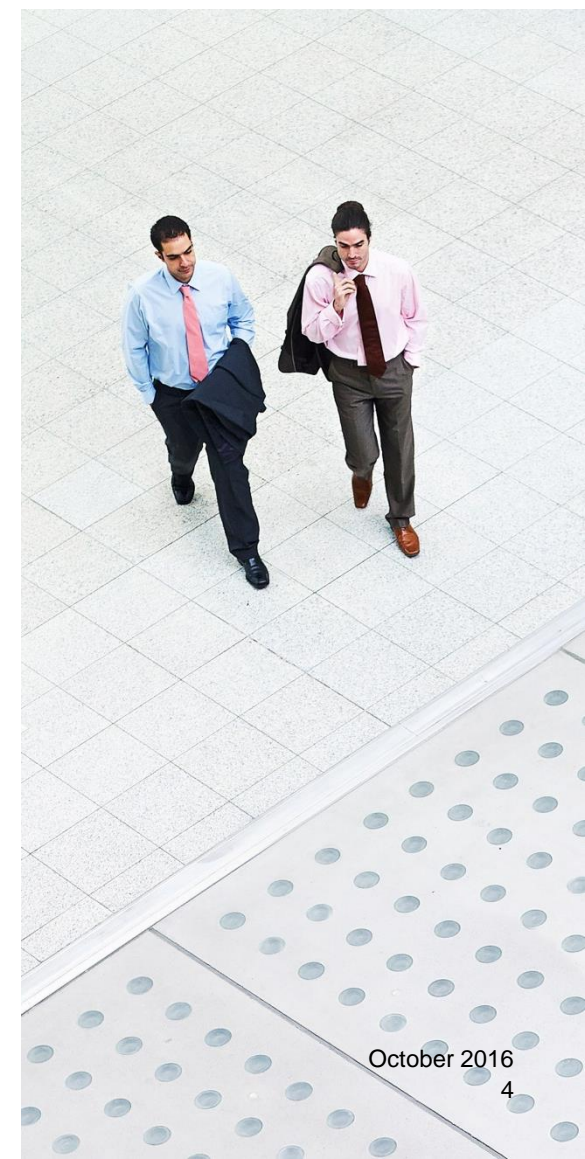
From our attendance at the Project Team meeting and review of Eunomia's presentations, it was not clear what assumptions had been used in modelling each of the potential commissioning options, or how those assumptions changed from one option to the next. We also noted that at the time of our review, there had been limited involvement from the Council in determining/agreeing/challenging these assumptions as part of the cost modelling process.

We understand that the purpose of this exercise was not to prepare a detailed costing of a future service and that subsequent to our review, further work has been undertaken with Eunomia to understand the model they have used and how, at a high level, the assumptions impact the result of that process.

However, we believe it would be beneficial for the Programme Board to understand what key assumptions have been used in preparing the indicative costs so that they are clear on what basis the figures have been prepared and what decisions around the service these assumptions show so that the recommendation put forward to Cabinet off the back of these financial indicators is as informed as possible.

### **Commissioning costs and assumptions**

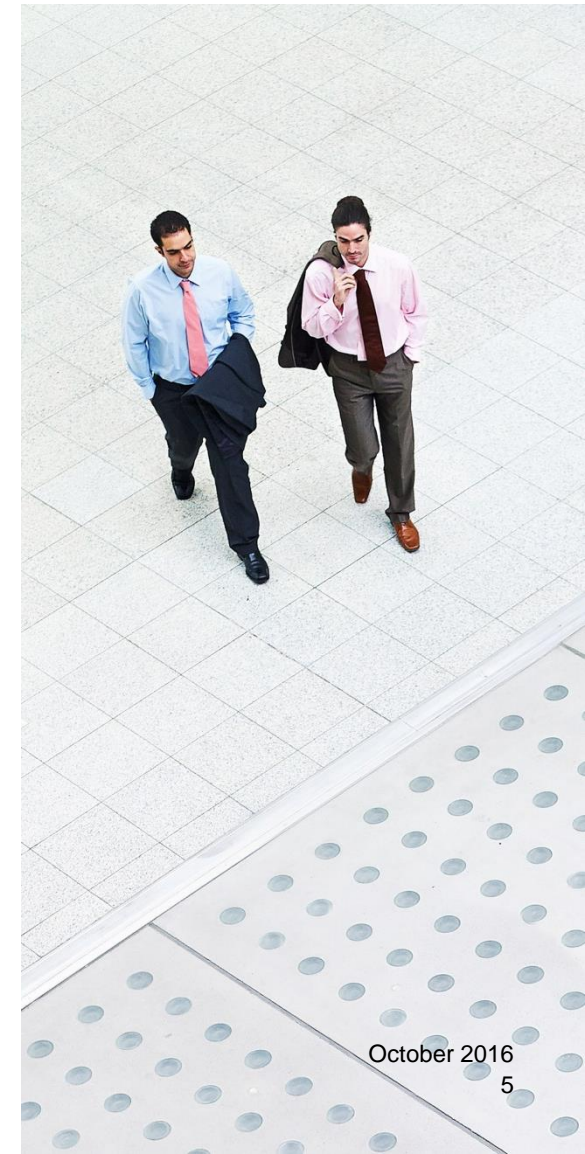
We have discussed with Eunomia outcome of the commissioning options modelling, based on consideration of three options, being a return to in-house provision of the service, continuing to out-source to service to a third party or creation of a Local Authority Company ('LAC') to provide the service going forward. We have considered the reasonableness of the approach followed and information used and believe it would be advisable for the Council to consider the following points:



## Executive summary (3 of 4)



- \* The commissioning options modelling indicates that the difference in annual cost between the out-source option and the LAC of £400k equates to the profit made by a contractor as underlying operating costs are consistent between the two scenarios. We would note that this represents a relatively low margin for risk against a service which has historically been seen to suffer from cost overruns.
- \* An out-sourced solution comes with the ability to transfer risk that is not offered by the LAC option, with the profit element being the cost to the Council associated with the transfer of the risk of managing cost overruns or service issues. The lower price for the LAC model therefore needs to be viewed in this context. It also allows for no consideration of the risk retained by the Council which, depending on further more detailed analysis of the underlying costs, could be more than the cost differential projected by Eunomia.
- \* As the commissioning of a LAC would be a new model for the Council, and would not involve the underlying experience of a professional contractor, it would be expected that some cost should be considered for the management of risk which we believe could lead to an increased projection for the LAC above that presented by Eunomia.
- \* We would also note that whilst a LAC can operate on a non-profit basis, this does not necessarily mean that prudent management of the LAC would not involve generating some surplus which will help manage the risk and allow for future investment in innovation or transformation. Our discussions with Eunomia have not suggested that any surplus is projected in their costs.
- \* Eunomia has not factored in any transformation or development of the delivery model. Whilst this is appropriate for like for like comparison of new models against the current spend, if the Council has any ambition to transform the services in the future, the cost modelling does not reflect the fact that the cost of transformation may be different under each model.
- \* The cost modelling exercise provides a clear indication of the relative expense of the different commissioning options. However, it does not provide any indication of the relative risks (or transfer of risk) and opportunities that each option can present (such as the access to increased buying power, or technological advances with an out-source option) which can have significant cost implications. We believe this to be a key consideration in any decision making process that needs to be carefully assessed and clearly identified when communicating any recommendation.



## Executive summary (4 of 4)



### Qualitative assessment

A key aspect of the commissioning option decision for the Council has been consideration of the qualitative aspects of the service delivery – what kind of service does the Council want, how flexible does it need to be, what certainty is required over the service cost and what control does the Council want over its delivery.

In order to assess the Council’s views, Eunomia has shared a number of key questions with the Project Team. Responses to those questions drove a recommendation of the most appropriate commissioning option from a qualitative perspective. We noted that it would be beneficial for the output of this exercise to be shared with the Programme Board to ensure that the Board members were also in agreement with this assessment, particularly as it has been agreed that the weighting of qualitative/cost in terms of the overall recommendation is 60/40. We understand that these responses were shared with the Programme Board at its meeting on 22 September.

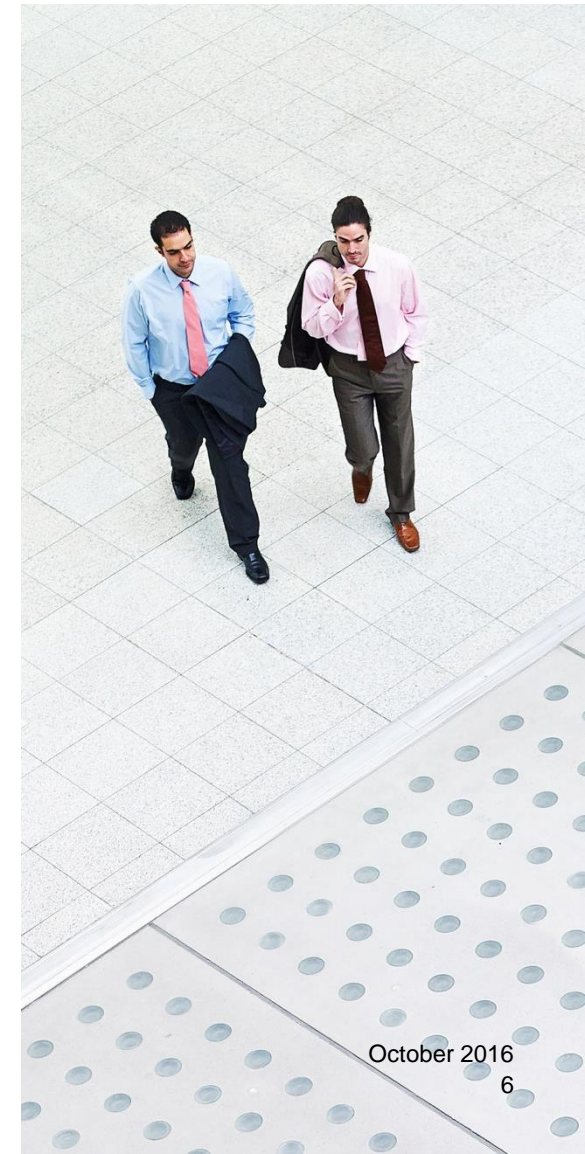
### Scope of work

We have undertaken this review in line with our agreed terms of reference. However, as agreed with Julie Seddon, we have not been required to attend the Programme Board to observe the governance process at this level and or reviewed Eunomia's final presentation on the output of the cost modelling as presented to the Programme Board, or the Cabinet report.

### Overall conclusion

The governance processes in place around this stage of the project is considered robust, although as the project moves into the next stages of implementation and mobilisation, it will be important that these sustained.

It is also important that there is sufficient clarity over the information used to support the decision around the preferred commissioning option. This includes ensuring that there is visibility over the assumptions used to drive the cost modelling, that the qualitative assessment truly reflects the Council’s requirements of the service and that appropriate consideration is given to the respective risks and opportunities presented by each commissioning option. These factors were not all clear to the Programme Board at the time of our review.



## Background and scope (1 of 2)



### Background

Northampton Borough Council (“the Council”) currently outsource their environmental services contract to Enterprise Managed Services Limited (“Enterprise”). The contract includes a range of outsourced services including refuse collection, recycling, street cleansing and grounds maintenance. The seven year contract was awarded in June 2011 on behalf of Northampton Borough Council and Daventry District Council.

The Council is currently determining the most appropriate option for the future provision of the Environment Services contract, by looking at three service delivery options: a full retender and external procurement exercise; bringing the service back in house or establishing a Limited Company. This is a complicated decision involving a significant financial commitment and numerous different inputs. The Council have engaged a third party provider, Eunomia, to help assess the service configuration options based on both a qualitative and quantitative information, and also need to consider the findings from consultations with the general public. The Environmental Services team are preparing an options paper which will be presented to Cabinet in October 2016.

The Council has established a project to identify and implement its preferred commissioning option for the future provision of the service. Stage one of this project - the ‘Definition’ stage – is to obtain Cabinet approval of the preferred service configuration and service delivery model. Given the expiry of the current arrangement in June 2018, it is key that this decision is made by mid October 2016 to allow sufficient time to implement and mobilise the preferred solution, as part of subsequent phases to this project.

We have been requested, as part of the Definition stage, to assess the robustness of the process followed by the Council to appraise its options for the service and to consider the adequacy and completeness of the evidence upon which this decision will be made.

Using our subject matter experts, we will critically review the option paper to ensure that consideration has been given of all the typical elements and that the conclusions reached are supported by the evidence base. We will understand and review the governance arrangements that are in place to support the decision and ensure that these are being adhered to.



## Background and scope (2 of 2)



### Scope

We have completed a short, sharp review during the time critical period between the data being gathered ready for the project team and a decision being reached on the preferred option(s). Our assessment has focused on the robustness of the process which the Council has followed to appraise the options for renewing the Environmental Services contract; and the adequacy and completeness of the evidence on which the decision will be made.

Using our waste management subject matter experts we have:

- critically reviewed the cost modelling process to ensure that the recommendations are supported by appropriate evidence; and
- assess the inputs to the cost modelling process to identify any significant gaps.

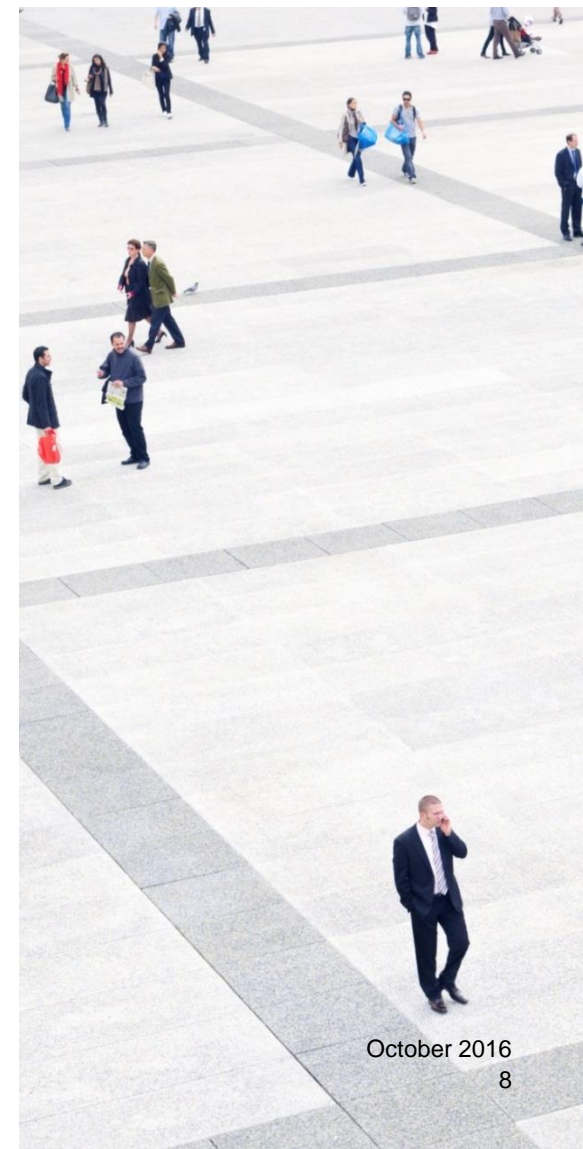
Additionally, we have:

- reviewed the decision making process for robustness;
- reviewed the adequacy of information for enabling the Council to make an informed decision;
- understood the governance arrangements in place and reviewed the current progress; and
- attended one Project Team meeting to observe the governance process in practice.

### Limitations of scope

The scope of our work will be limited to those areas outlined above. We are not providing an assurance opinion on this work. Our review has been focused on the process which has been followed in assessing the options available to the Council in relation to the Environmental Services contract. We are not forming any view on the overall conclusion reached by the Council.

It should also be noted that we have not, as part of this review and on the instruction of the Council, attended the Programme Board meeting where a decision was made on the preferred commissioning option, reviewed the final report prepared by Eunomia or reviewed the Cabinet paper.





## Current year findings (1 of 4)

### Governance processes

1

#### Observations

The Council has established a strong governance process to support this project. Given the high profile of this service, both in terms of the significant financial cost over the contract term and the level of community interest, it is important that there is a robust decision making process in place. In particular, we noted that:

- A Project Team, Programme Board and Cabinet Advisory Group/Community Steering Group have been formally established, are governed by terms of reference which set out accountability, responsibilities, attendees and logistics and are attended by a representative spread of key stakeholders across key functional areas of the organisation, community and employee base
- The project is managed by a dedicated project manager, supported by detailed project plans, risk assessments and budgets and minutes from each meeting are captured. Project 'Highlight reports' are shared at each meeting, capturing factors impacting the plan or budget, new risks etc.
- Clear linkage has been established between the members of the Project Team and Programme Board to ensure that the Programme Board members are sufficiently informed, involved and engaged in their respective areas and have visibility of the key decisions, assumptions and activities impacting their areas.
- While the Highlight reports are part of the LGSS suite of programme assurance tools, a more detailed project plan, project risk register, issues and action logs have been implemented by the Eunomia project manager to support greater visibility over the project progress.

## Current year findings (1 of 4)

### Governance processes

1

#### Areas to consider

At the Definition stage, it is worth noting that:

- The project’s focus is on reaching the Cabinet decision point by the mid October deadline so the detailed project plan, risks and issues are all geared around what deadlines need to be hit to achieve this and what could de-rail the process eg delays in the receipt of information from Enterprise, Cabinet disagreeing with the recommendation from the project teams etc. There has been no assessment, at this stage, of other risks associated with the service itself e.g. whether a suitable out-sourced provider would bid or whether suitably skilled personnel could be recruited for the in-house solution. This assessment will be conducted once the decision has been made around which option to pursue.
- There is no detailed Business Case for this first stage of the project. The final report from Eunomia on the recommended commissioning option will form the basis of the Business Case for the rest of the project, and there will be the need to refresh this ‘Business Case’ as the project continues.
- These governance processes need to be sustained meaningfully throughout the project to manage risks such as changes in personnel or the business. The Council will need to keep this project under regular review.

## Current year findings (2 of 4)

### Visibility of financial assumptions

# 2

#### Observations

Significant reliance is being placed on the experience of Eunomia in supporting this project and the outcome of the Definition phase, particularly in modelling the indicative cost for each commissioning option.

Underlying each of the options is a series of assumptions – such as how the acquisition of assets will be financed, what decision the Council will take in respect of pensions in each scenario, the extent of food waste collection etc. These assumptions will impact the indicative cost of delivery, and could therefore potentially impact the decision around choice of commissioning option.

We have seen evidence, through a review of meeting minutes and discussions with key stakeholders, of some challenge around these assumptions. However, there has been limited visibility to the Council during the process of the specific assumptions driving each of the options. The results of the commissioning cost modelling were presented to the Project Team for the first time on 15 September, but it was not clear what assumptions had been made, or how these assumptions changed from one scenario to the next. It was therefore difficult to understand what key decisions would need to be made by the Council in each option, for example, whether to allow employees to join the Council pension scheme or not.

There has also been limited involvement from Finance during the process in the run up to the Eunomia presentation in terms of agreeing or challenging these assumptions. While Eunomia have been engaged due to their knowledge of the sector and previous experience in this area, it is considered necessary that the Council has sufficient involvement in this part of the process to ensure that:

- they are properly engaged in the outcome of the cost modelling and are fully committed to the recommendations being made to the Programme Board and Cabinet
- local knowledge of the service, its current delivery and outcomes are appropriately brought into the decision making process – we have seen some evidence of challenge in this area
- the financial consequences of any decision are understood and have been considered, from a sensitivity perspective (ie what impact might changes in the assumptions have on the cost modelling output)
- assumptions are aligned to the Council’s objectives in this area

## Current year findings (2 of 4)

### Visibility of financial assumptions

# 2

#### Observations (continued)

Timescales have been tight in terms of turning around the cost modelling exercise. From a decision on baseline service configuration through to presentation of the results of the commissioning option modelling to the Project Team was only one week. While we understand that the modelling is being used to provide indicative costs only to inform the Definition phase, there is a need to ensure that the Council has been adequately involved in this part of the process as significant decisions (such as the option to kick off a complex procurement process should the out-source option be chosen) will be made of the back of this analysis.

#### Areas to consider

In order to address this:

- Finance should spend time with Eunomia to understand the model and its underlying assumptions in more detail so that the Council is comfortable that the assumptions made are reasonable and reflect their circumstances. We understand this has been undertaken since our review.
- A summary of the key assumptions should be shared with the Programme Board to support their review of the output from the cost modelling exercise.

## Current year findings (3 of 4)

### Commissioning costs and assumptions

# 3

#### Observations

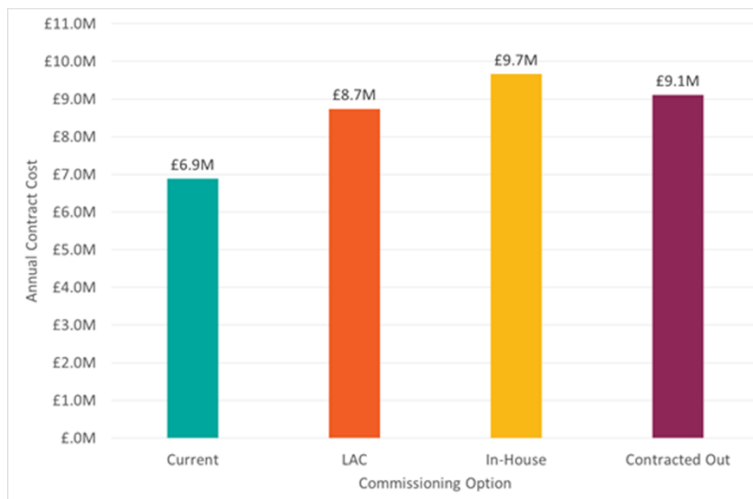
In considering the Council’s approach to developing indicative costs for the various commissioning options, we have discussed with Eunomia the approach followed and assumptions used to calculate the current environmental services contract costs and the three other proposed commissioning options.. We have used, as a basis for this discussion, Eunomia’s report shared on 27 September (as set out opposite). It should be noted that this was the latest version of the costs available at that date, although it was understood from Eunomia that the costs were still subject to amendment.

In modelling the three commissioning options, Eunomia modelled the base annual cost of delivering the current service, using a bottom-up approach. This approach involved using the baseline service configuration model agreed with the Council, estimating the cost of the services using the current contractor, Enterprise's costs and applying assumptions on productivity, staff, vehicles, overheads, margins and other cost items. These assumptions were assessed against industry knowledge and benchmarks to derive this base annual cost.

Using this base annual cost, Eunomia applied broad assumptions to arrive at the costs of the three commissioning options:

- For the LAC option, it was assumed that most LAC staff will not be on Local Authority pension, and that there would be a zero profit margin;
- For the In-House option, it was assumed that all staff would receive Local Authority pensions.
- For the Contracted Out option, it was assumed that a profit margin and corporate overhead were applied, but minimal staff on Local Authority pension.

In all cases, Eunomia has informed us that upfront costs (e.g. company setup/ procurement) were beyond the scope of the cost modelling and has therefore not been included in these annual costs.



## Current year findings (3 of 4)

### Commissioning costs and assumptions

# 3

#### Areas to consider

Based on our discussion with Eunomia and a review of the cost outputs of the commissioning options modelling we believe it would be advisable for the Council to consider the following points:

- Eunomia has indicated that the difference between the out-source option and the LAC option costs is the profit made by a contractor with the underlying operating costs being consistent between the two scenarios in their modelling. We would note that the modelled profit of £400k represents a relatively low margin for risk against a service which has historically been seen to suffer from cost overruns. We would also note that an out-sourced solution comes with the ability to transfer risk that is not offered by the LAC option. The price will be contractually agreed, with the profit element being the cost to the Council associated with transferring the risk of management of cost overruns or service issues. The lower price for the LAC model therefore needs to be viewed in this context. It allows for no consideration of the risk retained by the Council which, depending on further more detailed analysis of the underlying costs, could be more than the cost differential projected by Eunomia. As an example, a single additional vehicle (a 26 tonne RCV) could cost up to or over £75,000 to purchase.
- As the commissioning of a LAC would be a new model for the Council, and would not involve the underlying experience of a professional contractor, it would be expected that some cost should be considered for the management of risk which we believe could lead to an increased projection for LAC above that presented by Eunomia.
- We would also note that whilst a LAC can operate on a non-profit basis this does not necessarily mean that prudent management of the LAC would not involve generating some surplus which will help manage the risk and allow for future investment in innovation or transformation. Our conversations with Eunomia have not suggested that any surplus is projected in their costs above.

## Current year findings (3 of 4)

### Commissioning costs and assumptions

# 3

#### Areas to consider (continued)

- In discussing the approach Eunomia have taken, they have indicated that they have not factored in any transformation or development of the delivery model over and above that included in the base case. Whilst this is appropriate for like for like comparison of new models against the current spend, if the Council has any ambition to transform the services in the future, the costs projections above do not reflect the fact that the cost of transformation may be different under each model. This again is linked to the difference in risk transfer and access to wider expertise that an out-sourced solution may present as opposed to a LAC model. Whilst these risks can be mitigated this would involve a more detailed understanding of the operating structure and mobilisation plan of any new LAC to determine the extent to which the risks are managed.
- The commissioning costs output when presented in the diagram provides a clear indication of the financial implications of the relative expense of the different commissioning options. However, it does not provide any indication of the relative risks (or transfer of risk) and opportunities that each option can present (such as the access to increased buying power, or technological advances) which can have material cost implications. We believe this to be a key consideration in any decision making process that needs to be carefully assessed and clearly identified in any recommendation communications.

## Current year findings (4 of 4)

### Qualitative decision making process

# 4

#### Observations

A robust process has been followed to determine what is important to the Council from their environmental service – such as flexibility, cost certainty, value for model etc. Through a workshop forum, the Programme Board provided input into how these factors should be prioritised and the relative weighting of this aspect of the decision; the outcome being that qualitative assessment would have a weighting of 60% vs 40% for the outcome of the financial modelling.

In order to assess the Council’s views, Eunomia has shared a number of key questions with the Project Team. Responses to those questions drove a recommendation of the most appropriate commissioning option from a qualitative perspective.

#### Areas to consider

We note that it would be beneficial for the output of this exercise to be shared with the Programme Board to ensure that the Board members were also in agreement with this assessment, particularly as it has been agreed that the weighting of qualitative/cost in terms of the overall recommendation is 60/40.

We understand that these responses were shared with the Programme Board at its meeting on 22 September 2016.





**Appendix A: Background to the project and work completed**

**Appendix B: Terms of reference**

**Appendix C: Limitations and responsibilities**

---

# *Appendices*

## *Appendix A: Background to the project and work completed*

### **Background to the project**

The primary purpose of the Definition stage of the project is to reach a decision on the preferred commissioning option for future environmental services provision. To support this process, the Council has appointed an external consultancy firm, Eunomia, to provide a project manager to support the delivery of this phase, and to provide sector advice and expertise around modelling service configuration and delivery options through use of an internally developed model.

The Definition stage has consisted of the following:

- Determination of a 'baseline' service configuration – acknowledging that the current service provision is not considered fit for purpose, consideration has been given to six potential configurations with Eunomia modelling each to give an indicative cost. This phase was completed prior to the start of our internal audit review.
- Determination of a preferred commissioning option – with a decision over service configuration, the indicative cost of providing the service in-house, via an out-source provider or through a Local Government Company has been assessed using a bottom up approach to the cost based on current Enterprise costs and assumptions made by Eunomia based on sector experience
- Qualitative assessment of the service – the Council has considered it's priorities for the service in terms of flexibility, value for money, cost certainty etc to help drive a decision over commissioning options
- Community views – given the nature of the service being offered – including waste collection, recycling and street cleaning – it has been important to get the views of the local community around what they want from the service and would be willing to accept.

The overall decision from this phase will be a recommendation to Cabinet over the preferred commissioning option and will take account of both the financial and qualitative assessment with the community views overlaying – but not taken priority over – these aspects. Indicative costs will not be shared at this point. Once the Cabinet decision has been made, this will provide the direction for the remainder of the project, the implementation and mobilisation of the new service in June 2018.

## *Appendix A: Background to the review and work completed (continued)*

### **Activities undertaken**

In order to understand, in more detail, the governance and decision making process in place to support the delivery of this Definition stage of the Environmental Service re-provision project, we have undertaken the following activities:

- Met with Julie Seddon, as Business Change Manager, to understand the governance and decision making process in place around the project
- Met with David Pietropaoli, Programme Manager, to obtain a more detailed understanding of the governance process
- Met with Stuart Johnston, LGSS Finance and supporting the Project Team in this area, to understand how the Council has been involved in the finance related activities supporting the option modelling process
- Discussed with David Pietropaoli and Maxine von Eye of Eunomia the approach adopted to the cost modelling exercise to understand the methodology adopted
- Reviewed key documentation including terms of reference for each group, minutes of meetings held, programme plans, risk registers, copies of presentations provided by Eunomia and documentation to support the appointment of Eunomia as the Council's consultants for this project
- Attended the 15 September Project Team meeting, where the outcome of the service delivery model assessment was presented to see, first hand, the governance process in operation

As part of this process, we have fed back our observations on the process, on a real time basis, to Julie Seddon to ensure that our recommendations could be incorporated into the process. Our observations from these activities are set out in section 3 of this report.



## Background and objectives



### *Background and objectives*

Northampton Borough Council (“the Council”) currently outsource their environmental services contract to Enterprise Managed Services Limited (“Enterprise”). The contract includes a range of outsourced services including refuse collection, recycling, street cleansing and grounds maintenance. The seven year contract was awarded in June 2011 on behalf of Northampton Borough Council and Daventry District Council.

The Council is currently determining the most appropriate option for the future provision of the Environment Services contract, by looking at three service delivery options: a full retender and external procurement exercise; bringing the service back in house or establishing a Limited Company. This is a complicated decision involving a significant financial commitment and numerous different inputs. The Council have engaged a third party provider, Eunomia, to help assess the service configuration options based on both a qualitative and quantitative information, and also need to consider the findings from consultations with the general public. The Environmental Services team are preparing an options paper which will be presented to Cabinet in October 2016.

Using our subject matter experts, we will critically review the option paper to ensure that consideration has been given of all the typical elements and that the conclusions reached are supported by the evidence base. We will understand and review the governance arrangements that are in place to support the decision and ensure that these are being adhered to.



---

## *Scope and approach (1 of 2)*



---

### *Scope and approach*

We will complete a short, sharp review during the time critical period between the data being gathered ready for the project team and a decision being reached on the preferred option(s). Our assessment will focus on the robustness of the process which the Council has followed to appraise the options for renewing the Environmental Services contract; and the adequacy and completeness of the evidence on which the decision will be made.

Using our waste management subject matter experts we will:

- critically review the options paper to ensure that the recommendations are supported by appropriate evidence; and
- assess the inputs to the options paper to identify any significant gaps.

Additionally, we will:

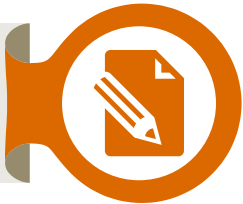
- review that the decision making process for robustness;
- review the adequacy of information for enabling the Council to make an informed decision;
- understand the governance arrangements in place and review the current progress; and
- attend the Project Board meeting(s) to observe the governance process in practice.

### *Deliverables*

On completing this work we will issue a short report, summarising our assessment and identifying recommendations for improvement.

---

## Scope and approach (2 of 2)



### *Limitations of scope*

The scope of our work will be limited to those areas outlined above. We will not be providing an assurance opinion on this work. Our review will be focused on the process which has been followed in assessing the options available to the Council in relation to the Environmental Services contract. Our work will not endorse the overall conclusion reached by the Council.

### *Approach*

Our approach is as follows:

- Undertake a desktop review of the available information (including the options paper);
- Walkthrough the process which the Council has followed (including stakeholder interviews as required); and
- Review the evidence available to support the decision.



## Our team and key contacts



### Our team

Name	Role	Contact details
Richard Bacon	Head of Internal Audit	<a href="mailto:richard.f.bacon@uk.pwc.com">richard.f.bacon@uk.pwc.com</a> 0121 265 5492
Gill Collins	Contract assurance specialist	<a href="mailto:gillian.m.Collins@uk.pwc.com">gillian.m.Collins@uk.pwc.com</a>
Nick Lane	Waste subject matter expert	<a href="mailto:nicholas.lane@uk.pwc.com">nicholas.lane@uk.pwc.com</a>

### Key contacts – Northampton Borough Council

Name	Title
Glen Hammons	Section 151 Officer
Julie Seddon	Director of Customers and Communities

### Implications on the Internal Audit Plan

The estimated fee for this work is £15,000 - £17,000. The 2016/17 internal audit plan approved by the Audit Committee on 27 June 2016 includes provision for a 10 days review into the Environmental Services contract. This review will utilise the specialist day rate included in the engagement contract and the allocated days in the internal audit plan will be used to partially offset the cost of this review.





## Timetable and information request

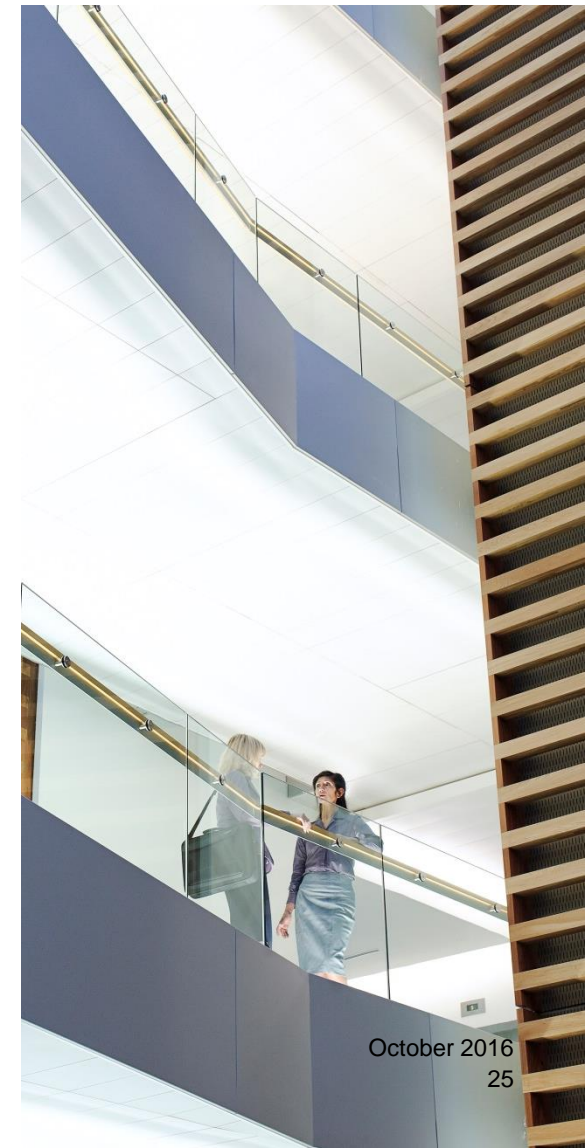


### Timetable

Fieldwork start	15 <sup>th</sup> September 2016
Fieldwork completed	29 <sup>th</sup> September 2016
Draft report completed	29 <sup>th</sup> September 2016
Final report completed	7 <sup>th</sup> October 2016

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request. If any can be provided by in advance of fieldwork starting this should be provided; and
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.



## *Appendix C: Limitations and responsibilities*

### *Limitations inherent to the internal auditor’s work*

We have undertaken this review subject to the limitations outlined below:

#### *Internal control*

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### *Future periods*

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

### *Responsibilities of management and internal auditors*

It is management’s responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management’s responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

This document has been prepared only for Northampton Borough Council and solely for the purpose and on the terms agreed with Northampton Borough Council in our agreement dated 19 May 2016. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

In the event that, pursuant to a request which Northampton Borough Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Northampton Borough Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Northampton Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such [report]. If, following consultation with PwC, Northampton Borough Council discloses any this document 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.

© 2016 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.