

# *Internal Audit Progress Report*

Northampton  
Borough Council

January 2017

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# Introduction

## *Purpose of this report*

We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention matters that are relevant to your responsibilities as members of the Authority's Audit Committee.

## *2016/17 Internal Audit Plan Progress*

The draft 2016/17 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 27 July 2016. The Internal Audit Plan sets out the risks that were identified as part of the planning process, together with the targeted work to be performed in order to address the identified risks. We report back to you on any changes to the assessment of audit risks and on the work undertaken in response to the risks identified.

We have continued our Internal Audit fieldwork and are pleased to report field work has concluded in the following areas:

- Risk Management;
- Northampton Town Football Club;
- Economic Development & Regeneration;
- Planning;
- Environmental Health & Licencing; and
- Housing Options.

We also have work planned and ongoing in the following areas:

- Customers & Cultural Services;
- Private Sector Housing;
- Partnerships and Communities; and
- Key financial system controls.

A detailed assessment of our performance against the Internal Audit Plan, tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 196 days of the 219 planned audit days.

## *Changes to the 2016/17 Internal Audit Plan*

Following the exceptional Audit Committee in December 2016 we have worked closely with management to assess the new Governance Board and plans. We are currently identifying how best we can support the Council in implementing these plans and providing the Audit Committee with adequate assurance.

To ensure that our 2016/17 Internal Audit Plan remains suitable and appropriately responds to the Council's current risks we have reviewed the Internal Audit Plan with the Section 151 Officer during December. We have agreed to make the following changes:

| <i>Auditable Unit</i> | <i>Audit days</i> | <i>Comments</i> |
|-----------------------|-------------------|-----------------|
|-----------------------|-------------------|-----------------|

|                                    |      |  |
|------------------------------------|------|--|
| Previously reported available days | 5    | The changes to the Internal Audit Plan resulted in a spare 5 days being available from the original Internal Audit Plan  |
| Key financial system controls      | (10) | Following our meeting with LGSS Finance and LGSS Internal Audit we have identified additional controls and processes which we will test before March 2017. We have already agreed with officers 10 additional days of internal audit days to support the delivery of this review.  |
| <b>Total</b>                       | (5)  | Additional time taken to complete the review examining the internal arrangements within the Council for managing Northampton Town Football Club loan and providing lessons learnt has used a substantial amount of the allocated internal audit days. We are in discussions with officers to extend the audit provision to support delivery of the remainder of the internal audit plan. |

## *2017/18 Internal Audit Planning*

We are set to meet with the Chief Executive, Monitoring Officer and Section 151 Officer during January 2017 to identify areas where we can support the Council and confirm areas of focus for the remainder of the 2016/17 financial year and considerations for the 2017/18 Internal Audit Plan.

We have a meeting scheduled with LGSS Finance, LGSS Internal Audit and the Council's external auditors, KPMG, in February to review the proposed 2017/18 Internal Audit Plan and confirm it satisfies their requirements and all plans are aligned.

We would like to seek input from the Audit Committee on the content of the 2017/18 Internal Audit Plan and would suggest some members of the Audit Committee are identified who can support us in identifying any particular areas of focus for the new financial year. We propose sharing a draft internal audit plan for approval by the Audit Committee at the March 2017 meeting.

## *Additional Internal Audit Support*

### *Risk management*

Chris Dickens has provided advice on governance during November and December 2016 during which time he supported the Council as it developed a new risk management strategy and policy, provided input into the job description for the new Governance and Risk Manager and provided training slides on risk for staff and members. This work has been undertaken in addition to the internal audit plan.

### *Environmental Services*

We have also provided additional support to the Director of Customers and Communities by reviewing the draft Cabinet paper and Business Case prepared by the Council to support the next phase of re-provision of the Environmental Services outsourced contract. We obtained a high level understanding of the approach taken by the Council and provided feedback on any observations arising from this review. This work has been undertaken in addition to the internal audit plan.

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# Activity and progress

## *Final reports*

Since our previous Internal Audit Progress Report, we have issued final reports for the following reviews performed in accordance with the 2016/17 Internal Audit Plan:

- Environmental Health and Licensing – low risk report with two low risk findings
- Economic development and regeneration - low risk report with two low risk findings
- Northampton Town Football Club - this review was not classed as an assurance review therefore there is no overall report rating or scored recommendations

We have summarised the main findings from the reports below:

### *Environmental Health and Licensing*

We identified the following findings following conclusion of our testing:

- **Frequency of unlicensed taxi flagging operation (Low Risk):** To identify unlicensed taxi operators the Council has in place a procedure, working with the Police, for flagging taxis and then identifying whether the taxi is being used illegally. None of these flagging operations were carried out during the period from April to August 2016. This was due to staffing constraints in the licensing department and a lack of contingency plans. Since September 2016, this has been resolved with the addition of two new members of staff; and
- **Documentation on flagging exercises (Low Risk):** The Council does not currently maintain a record of the flagging exercises which have been undertaken to demonstrate sufficient proactive work is being undertaken to address unlicensed taxi operators.

### *Economic development and regeneration*

We identified the following findings following conclusion of our testing:

- **Project summaries (low risk):** there is no record of all projects and their current status to provide an overview of current projects and to assess whether required documentation has been completed; and
- **Project manager support (low risk):** whilst the LGSS project support is available to support project managers and ensure they are compliant with the relevant policies, legislation, required documents and are working consistently within the Council's procedures this is not a formalised process and requires the project manager to request such support.

### *Northampton Town Football Club*

The findings from our report were communicated to the Audit Committee at the specially convened meeting on the 5<sup>th</sup> December 2016.

## *Draft reports*

We have completed the audit fieldwork and prepared draft reports for the following reviews performed in accordance with the 2016/17 Internal Audit Plan. We are in the progress of finalising these reports and will report the findings at the next meeting of the Audit Committee.

- Housing options; and
- Planning

## *Planned fieldwork*

Work is planned in the following areas:

- **Private Sector Housing and Partnerships & Communities:** scoping meetings have been held and terms of reference, including timescales agreed. Fieldwork will be undertaken between January and March 2017;
- **Customer & Cultural Services:** work is ongoing to draft a scope of work and agree this with management; and
- **Core financial systems controls:** we held a meeting with LGS Finance and LGSS Internal Audit during December 2016 to review the current allocation of controls testing to ensure that our internal audit plans were aligned and provided an adequate level of assurance to satisfy the Council. We identified some additional areas of testing and are in the process of agreeing a terms of reference and planned timescales for this work.

# Appendix 1: Detailed progress tracker

| <i>Ref</i> | <i>Auditable Unit</i>                     | <i>Indicative number of audit days*</i> | <i>Actual audit days to date</i> | <i>Proposed fieldwork dates</i> | <i>Scoping meeting date</i>          | <i>Proposed draft report date</i> | <i>Proposed management response date</i> | <i>Proposed final report date</i> | <i>Audit Committee reporting date</i> |
|------------|---|---|----------------------------------|---------------------------------|--------------------------------------|-----------------------------------|--|-----------------------------------|---------------------------------------|
| <b>A1</b>  | Contract management: LGSS review          | 20                                      | -                                | Q1-2                            | Removed from the Internal Audit Plan |                                   |  |                                   |                                       |
| <b>A2</b>  | Risk management                           | 10                                      | 10                               | Q1-2                            | Work concluded                       |                                   |  |                                   |                                       |
| <b>A3</b>  | Business Continuity                       | 10                                      | -                                | Q3                              | Removed from the Internal Audit Plan |                                   |  |                                   |                                       |
| <b>A4</b>  | Governance: Corporate Policy              | 10                                      | -                                | Q3                              | Removed from the Internal Audit Plan |                                   |  |                                   |                                       |
| <b>A5</b>  | Performance Management                    | 10                                      | -                                | Q3                              | Removed from the Internal Audit Plan |                                   |  |                                   |                                       |
| <b>A6</b>  | NTFC                                      | 20                                      | 100                              | Q1                              | Work ongoing from 15/16              | August 2016                       | September 2016                           | November 2016                     | November 2016                         |
| <b>B1</b>  | Economic development and regeneration     | 10                                      | 10                               | Q4                              | 1 <sup>st</sup> August 2016          | December 2016                     | December 2016                            | January 2017                      | January 2017                          |
| <b>B2</b>  | Planning                                  | 10                                      | 10                               | Q3                              | 1 <sup>st</sup> August 2016          | December 2016                     | January 2017                             | January 2017                      | January 2017                          |
| <b>C1</b>  | Directorate governance: Borough Secretary | 10                                      | -                                | Q2                              | Removed from the Internal Audit Plan |                                   |  |                                   |                                       |
| <b>D1</b>  | Environmental Health and Licencing        | 10                                      | 10                               | Q3                              | 1 <sup>st</sup> August 2016          | December 2016                     | December 2016                            | December 2016                     | January 2017                          |
| <b>D2</b>  | Environmental services                    | 8.5                                     | 8.5**                            | Q3                              | 1 <sup>st</sup> August 2016          | September 2016                    | October 2016                             | October 2016                      | October 2016                          |

|           |   |       |     |      |                                 |              |              |              |            |
|-----------|---|-------|-----|------|---------------------------------|--------------|--------------|--------------|------------|
| <b>D3</b> | Customers and cultural services           | 10    | 1.5 | Q3   | 1 <sup>st</sup> August 2016     | TBC          | TBC          | TBC          | TBC        |
| <b>E1</b> | Housing options                           | 10    | 5   | Q2   | 28 <sup>th</sup> September 2016 | January 2017 | January 2017 | January 2017 | March 2017 |
| <b>E2</b> | Private Sector Housing                    | 10    | 1   | Q2   | 28 <sup>th</sup> September 2016 | March 2017   | June 2017    | June 2017    | June 2017  |
| <b>E3</b> | Partnerships and Communities              | 10    | 1   | Q3   | 28 <sup>th</sup> September 2016 | March 2017   | June 2017    | June 2017    | June 2017  |
| <b>F1</b> | Internal audit management                 | 20    | 18  | Q1-4 | NA                              | NA           | NA           | NA           | NA         |
| <b>F2</b> | Contingency                               | 20    | 20  | Q1-4 | NA                              | NA           | NA           | NA           | NA         |
|           | Additional review: key financial controls | 10    | 1   | Q4   | December 2016                   | March 2017   | June 2017    | June 2017    | June 2017  |
|           | Total audit days                          | 218.5 | 196 |      |                                 |              |              |              |            |

*\* Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.*

*\*\* Review delivered using specialist internal audit day rate. To be undertaken in addition to the agreed audit plan.*



# Appendix 2: Previous internal audit reports

The following table identifies internal audit reports we have issued over the past five years. The full reports are available to all senior officers using our online TrAction tool which includes details of the specific findings. Officers are working to review the outstanding internal audit recommendations and to make sure that appropriate people within the Council take ownership for implementing internal audit recommendations, especially where the original audit sponsor is no longer in place. These will be reported on separately by officers.

| Audit Year | Title  | Findings |
|------------|--|----------|
| 2012/13    | Anti-Fraud Health Check follow up review       | 4        |
| 2012/13    | Budgetary Control                              | 1        |
| 2012/13    | Core Financial Systems                         | 15       |
| 2012/13    | Conflicts of Interest                          | 3        |
| 2012/13    | Council Tax                                    | 1        |
| 2012/13    | Decent Homes Contract Review follow up         | 4        |
| 2012/13    | Debt Recovery                                  | 4        |
| 2012/13    | Equalities                                     | 3        |
| 2012/13    | Environment services contract follow up review | 4        |
| 2012/13    | Fixed Assets                                   | 2        |
| 2012/13    | Housing Allocations                            | 5        |
| 2012/13    | Housing Benefits                               | 4        |
| 2012/13    | Housing Rents                                  | 6        |
| 2012/13    | IBS Creditors                                  | 0        |
| 2012/13    | Leisure Trust contract follow up review        | 4        |
| 2012/13    | Museums Security                               | 6        |
| 2012/13    | NNDR   | 9        |
| 2012/13    | Potentially Violent People                     | 4        |
| 2012/13    | Risk Management.                               | 7        |
| 2012/13    | Strategic Housing: Accounting for grant income | 1        |
| 2012/13    | Shared services transition planning            | 5        |
| 2012/13    | Voids Management follow up review              | 6        |
| 2013/14    | Asset Management                               | 3        |
| 2013/14    | Budgetary Control                              | 4        |

|         |  |    |
|---------|--|----|
| 2013/14 | Creditors  | 1  |
| 2013/14 | Debtors  | 2  |
| 2013/14 | Delapre Park Concerts  | 2  |
| 2013/14 | Debt Recovery  | 0  |
| 2013/14 | Housing Allocations  | 2  |
| 2013/14 | Housing Rents  | NA |
| 2013/14 | IBS Creditors  | 5  |
| 2013/14 | Planning Application Software Review                           | 6  |
| 2013/14 | Fixed assets   | 4  |
| 2013/14 | Absence Monitoring   | 5  |
| 2013/14 | Bus interchange project  | NA |
| 2013/14 | Collection Fund  | 2  |
| 2013/14 | Empty Homes Programme  | NA |
| 2013/14 | Environmental Services - Performance Monitoring                | 4  |
| 2013/14 | ICT - Bring your own devices                                   | 1  |
| 2013/14 | Treasury Management  | 2  |
| 2014/15 | Data Protection  | 8  |
| 2014/15 | Directorate review: Customers and Communities                  | 6  |
| 2014/15 | Directorate Review: Regeneration, Enterprise and Planning      | 5  |
| 2014/15 | Environmental Contract Management                              | 4  |
| 2014/15 | Financial Delegations  | 4  |
| 2014/15 | Good Governance  | NA |
| 2015/16 | LGSS contract review   | 7  |
| 2015/16 | Scope and Effectiveness of the Section 151 Officer arrangement | 2  |
| 2016/17 | Disabled Facilities Grant                                      | 4  |
| 2016/17 | Environmental Services report                                  | 4  |
| 2016/17 | Governance action plan   | 11 |



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