



NORTHAMPTON BOROUGH COUNCIL

# INTERNAL AUDIT PROGRESS REPORT

March 2019

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# PROGRESS AGAINST PLAN

## Internal Audit

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

## Internal Audit Methodology

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

## Overview of 2018-19 work to date

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

- Audit 2. Member/Officer Relationships.

The following reports have been issued in draft:

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

## Changes to the Plan:

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

## We are also presenting separately to this Committee:

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

# INTERNAL AUDIT OPERATIONAL PLAN 18/19

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

# AUDIT 2. EXECUTIVE SUMMARY

## SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)

High	-
Medium	12
Low	4

Total number of recommendations: 16

## OVERVIEW

### Background and scope

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

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

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## Approach

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

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

## Findings

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

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

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

Elements of good practice we identified include:

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

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

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

However, the review identified the following recommendations for improvement:

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

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Low);

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

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

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

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

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

## APPENDIX I - DEFINITIONS

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



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