

A large, leafy tree stands in a field under a blue sky with light clouds. The tree is the central focus, with its canopy filling much of the upper half of the image. The ground is a mix of green grass and yellow wildflowers. The sky is a clear, pale blue with some wispy white clouds.

NORTHAMPTON BOROUGH COUNCIL

# INTERNAL AUDIT PROGRESS REPORT

March 2020

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# PROGRESS AGAINST PLAN

## Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2019-20 internal audit plan, which has been approved by Audit Committee in March 2019. 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 2019-20 work to date

- There are no new reports to update on:
  - We have completed our review of Asset Management and this has been issued in Draft
  - The Safeguarding review has been further pushed back to April 2020 by management however some testing will take place in March 2020
  - The additional Disable Facilities Grant review commenced w/c 23 March 2020.

## Changes to the Plan:

- No new changes.

## We are also presenting separately to this Committee:

- Internal Audit Follow-up tracker update
- Internal Audit Plan 2020-21.

# INTERNAL AUDIT OPERATIONAL PLAN 19/20

Audit Area	Audit Days	Exec Lead	Status Update	Opinion	
				Design	Effectiveness
<b>Audit 1. Planning Service + S106</b>	20	Peter Baguley	Final	Substantial	Moderate
<b>Audit 2. Safeguarding</b>	15	Phil Harris	Fieldwork commences April 2020	TBC	TBC
<b>Audit 3. Enterprise Zone (Economic Growth)</b>	20	Kevin Langley	Final	Moderate	Moderate
<b>Audit 4. Contract Management</b>	15	Stuart McGregor	Final	Substantial	Moderate
<b>Audit 5. Corporate Plan Progress</b>	10	George Candler	Removed from plan		
<b>Audit 5. Asset Management</b>	20	Kevin Langley	Fieldwork completed and draft report issued	TBC	TBC
<b>Audit 6. Health and Safety</b>	15	Stuart McGregor	Final	Moderate	Moderate
<b>Audit 7. GDPR</b>	15	Stuart McGregor	Final	Moderate	Moderate
<b>Audit 8. Cyber</b>	15	Stuart McGregor	Final	Moderate	Moderate
<b>Audit 9. Additional Unitary work</b>	25	Stuart McGregor	Removed from Plan		
<b>Audit 10. DFG</b>	15	Stuart McGregor	Fieldwork commences 23 March 2020	TBC	TBC

# LOCAL GOVERNMENT SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publications and emerging issues relevant to Local Authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, directors and members.

## FINANCE

### **'Alarm bells' ring over 14-fold boom in council commercial property investment**

A report from the National Audit Office urged the government to look again at the framework in place to protect taxpayer money from risks involved in investing in property such as offices and shopping centres.

The watchdog found that town halls in England spent £6.6bn on commercial property between 2016-17 and 2018-19 - 14.4 times higher than the preceding three years.

Relying on this type of investment leaves councils open to risk caused by an economic recession.

Meg Hillier, chair of the Public Accounts Committee, said: "Given local authorities have faced such big cuts, it is understandable that many might take part in risky investments to get more money in. "However, a fourteen-fold increase in spend on commercial property raises serious alarm bells."

<https://www.publicfinance.co.uk/news/2020/02/alarm-bells-ring-over-14-fold-boom-council-commercial-property-investment>

### **LGA: £80m from PWLB rate hike should be given back to councils**

In its 2020 Budget submission the Local Government Association estimated that the government could receive as much as £80m due to the rate hike and it should be used to support the sector.

"The income received by the government from the rate rise must be reused in the form of additional funding for local government," the LGA said.

As an alternative, the LGA called for a scheme similar to the Local Infrastructure Rate, introduced in the 2017 Autumn Budget, which allowed councils in England to borrow up to £1bn with a discounted interest rate of 60 basis points for infrastructure projects.

"Now that standard PWLB rates are higher it is vital that the opportunity is taken to implement a similar scheme in the 2020 Spring Budget for crucial projects, including housing, to enable councils to deliver schemes vital to the National Infrastructure Strategy which would otherwise be under threat," the group said.

The LGA noted that councils have increasingly been relying on their own resources to fund capital projects with central government grant falling by £600m between 2014-15 and 2018-19.

<https://www.publicfinance.co.uk/news/2020/02/lga-ps80m-pwlb-rate-hike-should-be-given-back-councils>

### **Nearly all local authorities expected to raise council tax and fees**

Among the 152 councils that responded to research, released by the Local Government Information Unit, 93% plan to increase council tax by more than 1.5%. The 2019-20 threshold to which local authorities could raise council tax to avoid a referendum was 3%.

Of the respondents, 97% said they plan to increase fees and charges in 2020-21, with 14% feeling they will have to raise them by the "maximum possible amount", the think-tank found.

Jonathan Carr-West, chief executive of the LGiU, said in the report: "The state of local government finances is dire. It is simply unacceptable that the government has let things get to this point."

# LOCAL GOVERNMENT - SECTOR UPDATE

<https://www.publicfinance.co.uk/news/2020/02/nearly-all-local-authorities-expected-raise-council-tax-and-fees>

## **Government ‘failing’ to act on audit changes two years after Carillion**

Two years on from the collapse of outsourcing giant Carillion, Unite, the UK’s biggest union, has accused the government of failing to act on weaknesses in the UK audit system. Unite said that the government has done “exactly nothing” to overhaul the system after the firm’s demise left thousands without jobs and left major projects hanging in the balance. The union highlighted a Carillion-led project at the Royal Liverpool hospital, which was 85% complete when the firm collapsed in January 2018. The hospital was originally due to be completed in 2017 but will not be finished until 2022. Several reviews into Carillion’s collapse are currently underway including by the National Audit Office, the Financial Reporting Council and the Official Receiver. But none have been published yet.

<https://www.publicfinance.co.uk/news/2020/01/government-failing-act-audit-changes-two-years-after-carillion>

## **Public sector procurement grew by 17% last year**

UK public sector spend on procurement increased by 17% to £93bn in the last year, according to a data provider on government contracts.

Tussell’s 2019 in UK public procurement report found that 2,076 public sector buyers awarded 45,216 contracts to 16,218 suppliers.

The total value of contracts grew from £79bn in 2018 to £93bn in 2019 “despite political uncertainty”, Tussell said.

Of the £93bn total, £40bn came from central government contracts followed by £23bn from local government.

Housing associations spent £9.3bn on procurement and the NHS spent £7.4bn. “other” public bodies, according to Tussell, spent a further £13bn.

The single largest buyer was the Ministry of Defence, which spent nearly £15bn on procurement, followed by Peabody housing association which spent £8.08bn. Tussell said that it expects the outsourcing market to grow again in 2020.

<https://www.publicfinance.co.uk/news/2020/01/public-sector-procurement-grew-17-last-year>

## IT

### **Breaking from the herd to meet threat of cyber-attack**

Last year we launched a white paper which reflected on digital and technology trends. The shift to truly digitally enabled services will become ubiquitous but these in turn bring new threats. Freedom of information requests have revealed that over the first half of 2019 UK councils suffered 263 million cyber-attacks. That’s an average of 800 an hour. The current model of cyber defence is a kind of ‘herd protection’. We learn from those that are breached and as quickly as possible we create a defence and share it.

Local government has done pretty well in cyber defence, but the model only works well if you are not the first to be attacked. So, as the internet of things takes off in care and other areas of our communities, it’s clear that the current reactive model to cyber defence will be severely tested. There are already some powerful lessons to be learned from other countries. It is now

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possible to put cyber defence on the front foot; you don't need to have seen the type of attack before to trap it and kill it.

<https://www.lgcplus.com/services/health-and-care/how-councils-can-collaborate-to-harness-the-power-of-social-care-data-05-02-2020/>

## Environment

### **One in 19 deaths linked to air pollution in cities, research finds**

A Centre for Cities report, out today, found that people living in southern cities are more likely to die from toxic air, and air pollution deaths are 25 times higher than the national rate of deaths from traffic accidents.

London and Slough have the highest percentage of deaths linked to the deadly toxin PM2.5, at 6.4%. Aberdeen has the lowest number of deaths linked to the toxin at just 3%, followed by Dundee at 3.1%. Centre for Cities found that 62% of roads monitored in UK cities exceed World Health Organisation guidelines for PM2.5, though these levels are still legal in England, Wales and Northern Ireland.

In 19 cities, all monitored roads are breaching the WHO guideline, potentially exposing 14 million people to the pollutant every day, the research unit said.

Researchers said that transport is a big source of pollution but burning fuels is another major cause. Half of deadly PM2.5 toxins generated in cities come from sources such as wood burning stoves and coal fires, the report said

<https://www.publicfinance.co.uk/news/2020/01/one-19-deaths-linked-air-pollution-cities-research-finds>

### **Government adviser cautions against 'deluded' net zero carbon goal**

A government climate change adviser has warned councils that setting 'net zero' carbon emissions targets could create "very serious unintended consequences".

Dieter Helm, professor of energy policy at Oxford University, said the only form of net zero that should count is "net zero carbon consumption", which also takes into account the carbon cost of our consumer products imported in from abroad.

Prof Helm told the Local Government Association's climate emergency conference on Wednesday that he was "really concerned with deluding people with the idea that if we get to net zero on carbon territorial reduction by 2030, we will no longer be causing climate change".

<https://www.lgcplus.com/services/environment/government-adviser-cautions-against-deluded-net-zero-carbon-goal-24-01-2020/>

## HOUSING

### **Government pledges £16.6m for domestic violence victims**

The government has pledged £16.6m to fund 75 projects providing refuge to victims of domestic violence and their children.

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## LOCAL GOVERNMENT - SECTOR UPDATE

Housing and communities secretary Robert Jenrick today said the funding for councils would help up to 43,000 victims and end a “postcode lottery” of support for those fleeing abusive relationships.

The announcement follows a pledge by the government in last year’s Queen’s speech to impose a legal requirement on every council to provide accommodation-based support by amending the Domestic Abuse Bill, which will be reintroduced to the House of Commons shortly.

<https://www.lgcplus.com/services/housing/government-pledges-16-6m-for-domestic-violence-victims-17-02-2020/>

### **Councils must start cladding enforcement by end of the month**

Councils will be expected to start enforcement against building owners who have not started remediation work to remove unsafe Aluminium Composite Material (ACM) cladding from their buildings by the end of this month, the government has announced.

Officials from the Ministry of Housing, Communities & Local Government will work with local authorities to “support enforcement options” if a clear plan for remediation is not provided by building owners by the end of January.

The government will also begin naming and shaming the building owners who have been “too slow to act”.

The announcement was made as part of a raft of new measures being proposed to improve fire safety in high rise buildings in the wake of the Grenfell Tower fire, including the creation of a new building and safety regulator and the appointment of a chief inspector of buildings to speed up remediation work . The government is also to consult on lowering the height threshold for buildings requiring sprinklers from the current 30 metres and for the use of combustible materials on buildings from the current 18 metres.

<https://www.lgcplus.com/services/housing/councils-must-start-cladding-enforcement-action-by-end-of-the-month-21-01-2020/>

## APPENDIX I - DEFINITIONS

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



FOR MORE INFORMATION:

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

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