

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in the Holding Room,
The Guildhall on Tuesday, 26 February 2008 at 6:00 pm.

D Kennedy
Chief Executive

AGENDA

1. APOLOGIES
2. MINUTES OF THE MEETING HELD ON 4TH DECEMBER 2007
(copy attached)
3. DEPUTATIONS / PUBLIC ADDRESSES
4. DECLARATIONS OF INTEREST
5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED
6. EXTERNAL AUDIT UPDATE D Brett, External Auditor
(KPMG)
 - (A) ANNUAL AUDIT REPORT 06/07
Copy attached.
 - (B) FORWARD LOOK
Copy attached.
7. INTERNAL AUDIT UPDATE C Dickens, Internal
Auditor (PWC)
 - (A) AUDIT PROGRESS REPORT
Copy attached.
 - (B) DRAFT PLAN 2008/09
Copy attached.
8. EXCLUSION OF PUBLIC AND PRESS
THE CHAIR TO MOVE:
"THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT."

AUDIT COMMITTEE

Tuesday, 4 December 2007

PRESENT: Councillor Perkins (Chair); Councillor B Markham (Deputy Chair);
Councillors Hawkins, J Lill

1. APOLOGIES

Apologies for absence were received from Councillors De Cruz, Scott and Tavener.

2. MINUTES

Minutes of the previous meeting were agreed and signed.

The Committee was updated on the actions arising from the previous meeting.

In relation to Council Tax and Benefits reconciliation of the properties it was noted that systems and procedures had been put in place and the matter was now resolved.

D Brett circulated a breakdown of the costs in relation to the work carried out by External Audit in 2006/2007. The Committee discussed the increase in cost in comparison to previous year. It was noted that this was due to the difficult period the Council had gone through this year, which included the loss of staff in accounts.

A briefing note was to be circulated to the members in respect of the authorities debt position and provisions made against them.

3. DEPUTATIONS / PUBLIC ADDRESSES

RESOLVED: That D Brett, External Auditor (KPMG), be granted leave to address the Committee in respect of Item 5 "External Audit Progress Update".

4. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

5. EXTERNAL AUDIT PROGRESS UPDATE

D Brett reported that the fieldwork and assessment for Use of Resources had been completed. It had been submitted to the Audit Commission who was due to advise the Council on 10 December on the overall score. The Council would then get an opportunity to comment on the score. The final score would be confirmed by the Commission in January.

In response to a query he commented that the quality of Finance work was pleasing and it was clear that the Council had put in great effort this year. Consequently they had delayed the issue of their report.

The Committee noted that the Audit Commissions comment on the Direction of Travel was not due until February 2008.

RESOLVED: That the report be noted.

6. INTERNAL AUDIT PROGRESS UPDATE

C Dickens, Internal Auditor (PWC) presented their progress report. He reported that majority of their work was planned to be delivered in quarter 3 and 4 including most of the work on the core financial systems. It was noted that the report on Voluntary Grants had not yet been issued.

To date they had made 51 recommendations, 21 of which related to this quarter.

The two key issues identified had been in relation to Voluntary Grants. There was insufficient evidence to support decisions made over grants allocations and there had been discrepancies against the grants agreed and the actual payment.

It was noted that all 2006/2007 internal audit recommendations had been put on the Team Central system. They were working with the Council's IT department to set access levels by Managers. They were also in the process of drafting an 'idiots guide' for users on how to access the system. In response to a query it was noted that it was possible for Members to have access to Team Central, however they would need to work out the limitations.

RESOLVED: That the report be received.

(A) INTERNAL AUDIT REPORTING PROTOCOL

C Dickens, Internal Auditor (PWC) presented the report stating that a formal reporting protocol had been agreed in order to monitor internal audit performance. The Committee noted the process for key milestones for 07/08 Internal Audit fieldwork.

I Proctor, Director for Finance commented that the protocol was aimed for Internal Auditors and Officers. She suggested that the final copy of the report could be circulated to Audit Committee for debate.

RESOLVED: That the Internal Audit Reporting Protocol be approved.

(B) AUDIT COMMITTEE TRAINING

C Dickens, Internal Auditor (PWC) presented the report proposing an approach for the delivery of training to the Audit Committee. In order to engage the Committee members the proposal was to initially conduct a self-assessment checklist designed to measure the effectiveness of the Committee. The information would identify the gaps in knowledge and awareness. The intention was to provide an appropriately tailored training to for Committee members to address any wider issues.

It was noted that the training would be approximately 2-3 hours long and would take place in the evening, in the New Year.

The Committee commented following the annual Council in May 2008, there might be a change in the Committee membership. They needed to take this into account prior to organising the training, to ensure that there was not a training gap.

I Proctor, Director for Finance suggested that the training could be opened to all Members. This would allow the political groups to discuss the future membership of the Committee.

The Committee agreed with the proposal. It was agreed that the self-assessment questionnaire would be sent to all Councillors.

RESOLVED: That the proposal, approach and timescales be approved and that the training be opened to all Councillors.

7. FINANCE UPDATE

I Procter, Director for Finance gave an update on Risk Management and Financial Regulations.

(A) RISK MANAGEMENT POLICY

I Procter, Director for Finance presented the report on risk management. She commented that risk management review was carried out annually. This years review was of a pragmatic nature and the main changes to the Strategy included the introduction of Risk Registers at Chief Officer level and Management Board being given the responsibility for its review and update.

It was noted that due to time constraints they did not have an opportunity to consult with the Audit Committee.

It was noted that there was a gap in capacity due to the loss of the Risk Manager. They would be advertising for the role, however the role would slightly differ and include the business continuity aspect. The Council needed to have a business continuity plan, which differed from an emergency plan.

The Committee discussed the Risk Management diagram (Appendix 1 A). It was noted that the Corporate Plan was the core high-level document, which filtered out at various levels into service plans of individual departments. The aim was to link all levels and mitigate risks. It would be a two-way process.

The Committee discussed their role in the process as outlined in the report. Councillor Perkins commented that as this Committee was required to report to the Council annually on the effectiveness of the Council's risk management systems, it might be useful for them to be involved in a project. He proposed that the Committee review a Revenue and a Capital project and how the risks were assessed and mitigated. He suggested that they could look at the Balloon Festival. I Procter, Director for Finance commented that she would discuss the issue with the relevant officers and suggested that the Committee might wish to receive regular updates.

In relation to a Capital Project, I Procter, Director for Finance suggested that the Committee might wish to look into a project in her area. They were currently carrying out a feasibility study on their IT systems.

The Committee agreed to review the risk management aspects of the two projects Balloon Festival and Feasibility Study of the IT systems.

- RESOLVED:**
- 1. That the Council's Risk Management Policy and revised Strategy be noted.**
 - 2. That the Audit Committee reviews as part of their role, the risk management aspects of the two projects Balloon Festival and Feasibility Study of the IT systems.**

(B) FINANCIAL REGULATIONS

I Proctor, Director for Finance presented the report on the new Financial Regulations. She commented that it was one of the key governance tools to ensure that all aspect of finance were managed and regulated.

They had reviewed the regulations and where necessary updated the regulations in line with the Council's needs and the Accounts and Audit Regulations 2003.

She reported that the changes to the regulations included the clarification of the officer and member responsibilities in relation to financial governance. The regulations would be backed with procedures and rules, they were in the process of producing an operational framework.

The new regulations had gone to the Finance Government Monitoring Board, who found them to be quite strict. She commented that at this stage this was deliberate, as the Council needed to tighten controls. The operation of the regulations would be reviewed and with time and improvements it would become more lenient.

In response to a request it was suggested that due to time constraints, once Cabinet approved the scoring scheme to priorities capital projects, it would be circulated to the Audit Committee.

RESOLVED: That the report be noted.

8. INTERNAL AUDIT VOID MANAGEMENT REPORT

G Chambers, Head of Finance, presented the report on the Review of Voids Management. He commented that the audit had identified three medium and three low risks. These related to Design of the controls under review, Operation of the controls under review and Value for Money. It was noted they had allocated responsibilities to individual officers, and that progress would be monitored.

Chris Dickens, Internal Auditor (PWC), in response to a query about the risk in achieving value for money and adhering to its Financial Regulations, it was noted that the immediate risk had been resolved in the short-term. However they needed to find a long-term solution, and hence an additional target date of June 2008 had been set. I Proctor, Director for Finance added that they had undertaken a direct review on Voids Maintenance and were looking at Capital gains not just quick fixes.

The Committee discussed the issues around the re-letting of void properties and whether they were included in the review, especially as it was seen as a key issue. C Dickens, Internal Auditor reported that agreement in reporting issues was based on 'report by exception'. He commented that this issue would have been part of the review, however he would look into the issue and clarify. Councillor Perkins commented that it would be helpful in future to include a short conclusion against each of the items included in the Approach and Scope section of these reports.

RESOLVED: That the report be noted.

9. EXCLUSION OF PUBLIC AND PRESS

There were no further items for discussion in private.

The meeting concluded at 19:20

Appendices



Item No.
6A

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title

EXTERNAL AUDIT PROGRESS REPORT

AGENDA STATUS:

PUBLIC

Audit Committee Meeting Date:	26 February 2008
Policy Document:	NO
Directorate:	Governance and Improvement
Accountable Cabinet Member:	Malcolm Mildren

1. Purpose

1.1 To present to the committee the external auditors progress report on the annual audit of the accounts for 2006/07 and preparations for the 2007/08 audit.

2. Recommendations

2.1 That the Audit Committee note this report.

3. Issues and Choices

Please see the attached report from KPMG.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None in relation to this report.

4.2 Resources and Risk

4.2.1 None

4.3 Legal

4.3.1 None

4.4 Equality

4.4.1 None

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 Annual External Audit Report

**Report Author: David Brett
Audit Manager KPMG**



INFRASTRUCTURE, GOVERNMENT
& HEALTHCARE

Annual External Audit Report

2006/07

**Northampton Borough
Council**

February 2008

AUDIT

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- Appendix B: Follow up of previous year's recommendations
- Appendix C: Audit reports issued
- Appendix D: Fee summary
- Appendix E: Statutory Report on Best Value Performance Plan

This report is addressed to the Authority and has been prepared for the sole use of Northampton Borough Council (the Authority). We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled: *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG LLP's work, in the first instance you should contact Michael McDonagh, who is the engagement partner to the Authority, telephone 0121 335 2440, e-mail michael.a.mcdonagh@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, e-mail trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Team, Nicholson House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SU or by e-mail to: complaints@audit-commission.gov.uk. Their telephone number is 0117 9753131, textphone (minicom) 020 7630 0421.

Section 1

Executive summary

1.1 Scope of this report

This report summarises the 2006/07 external audit work carried out by KPMG LLP ("KPMG") at Northampton Borough Council ("the Authority") with regards our audit responsibilities under the Audit Commission's *Code of Audit Practice* ("the Code"). Under the Code we are required to review and report on two specific areas which we have used to structure this report:

- **Accounts and Statement of Internal Control:** This area is concerned with the accounts production process and the associated opinions that we provide on the Authority's financial statements and the Whole of Government Accounts (WGA) submission (section 2); and

- **Use of Resources:** This work is concerned with determining whether the Authority has sound arrangements in place to ensure value for money in the delivery of its services and the deployment of its resources (section 3).

Our findings are summarised below, with our more detailed findings presented in sections 2 and 3 of this report.

- **Accounting Policies:** Section 4 of this report includes an outline of the changes that are anticipated as a result of both the implementation of the Statement of Recommended Practice (SORP) and the potential introduction of International Financial Reporting Standards (IFRS).

1.2 Summary of findings

The majority of the issues summarised in this report have previously been reported to the Authority by KPMG and a list of all reports issued in relation to our 2006/07 audit is provided at Appendix C. Also included at Appendix A is a summary of our recommendations.

Audit of accounts and Statement on Internal Control

To bring local government into line with other parts of the public sector, the timetable for preparation and publication of accounts has been gradually brought forward. For 2006/07, the accounts needed to be prepared by the end of June 2007 and published by the end of September 2007. Whilst this is not formally an audit deadline, it is desirable for the accounts to be published with the audit opinion included, so we plan our audit work to deliver the opinion by this date.

In the course of our work, we identified a number of performance improvement observations. We have previously brought these to the attention of Members through our *ISA 260 Report to those charged with governance* which was presented to the Audit Committee in September 2007. These findings are summarised in section 2 of this report.

We issued our interim unqualified opinion on the financial statements on 18 October 2007. We issued our final unqualified opinion together with our audit certificate and use of resources conclusion on 18 December 2007. This marks the conclusion of our statutory responsibilities for the year.

Use of resources

Between August and November 2007, we completed our second scored judgement on the Authority's use of resources. This assesses the Authority against Key Lines of Enquiry (KLOEs) specified by the Audit Commission, against which the Authority is scored on a scale between 1 (below minimum requirements) and 4 (performing strongly). The scores were reviewed as part of KPMG's local and national quality control processes and then by the Audit Commission to ensure consistency in scoring with other auditors and authorities.

Although the Authority scored '1' overall, it has made improvements in four out of the five KLOEs:

- Financial Reporting
- Financial Management;
- Financial Standing; and
- Value for Money.

Whilst the improvements were not sufficient to improve the Authority's overall score they do demonstrate that progress has been and is being made.

We reported our conclusion on the Authority's use of resources on 18 December 2007. The conclusion is based on to what extent the Authority meets 12 criteria specified by the Audit Commission which link to our other audit work – for example, on Use of Resources scored judgement and Data Quality. It is unqualified where these are all met and qualified if there are areas where the minimum standards are not fully addressed.

Section 1

Executive summary

For 2006/07, we issued a qualified conclusion as the Authority did not satisfy the criteria.

Audit of data quality

In 2007, we completed our second review of data quality at the Authority using the Audit Commission's methodology. We assessed the Authority's arrangements to be adequate overall.

1.3 Looking Forward

The Authority faces another challenging year in 2007/08 and we have discussed, risk assessed and agreed our audit plan for this period with the Authority. From that analysis in April 2007 we identified the following key issues, some of which we understand have already been addressed by the Authority:

- Financial Reporting – accounting capacity and quality of working papers;
- Risk Management;
- Financial and Legal capacity
- SORP changes; and
- Introduction of a new Rent System.

More recently there have been other significant challenges facing the Authority, including the:

- Introduction of Single status; and
- Review of Housing including the operation of the DSO.

1.4 Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Section 2

Accounts and Statement on Internal Control

Our *Statement of Accounts 2006/07 - Report to Those Charged with Governance (ISA 260)* detailed our findings and initial conclusions in relation to the Authority's 2006/07 accounts (including a number of recommendations to strengthen arrangements) and the Authority's controls and internal audit function.

This report summarises our findings from the audit of the accounts and Statement on Internal Control for 2006/07, including the submission process for Whole of Government Accounts (WGA).

2.1 Audit of the Authority's accounts

Context of the accounts

It is important for the Authority to produce timely, accurate financial statements. For 2006/07, the accounts were required to be published by the end of September 2007.

We noted that the accounts process at Northampton has been improved since the previous year, though there is scope to improve the closedown process and develop the quality of working papers further in future.

We were unable to give our opinion prior to the 30 September publication deadline as we required amendment to the management representations letter. We were able to issue our interim opinion on the accounts on 18 October 2007.

Opinion and certificate

The opinion which we issued in October has the status of an interim opinion until all audit duties for the year have been completed at which time we issue our certificate that the audit is concluded. We are required to issue a final accounts opinion, together with our audit certificate, where this is later.

We agreed to delay our opinion on the Use of Resources until the Audit Commission issued its score in December 2007. Consequently we were only able to issue our audit certificate when this occurred and was accepted by the Authority. We issued our final accounts opinion, the use of resources opinion and our audit certificate on 18 December 2007.

The Statement on Internal Control

We reviewed the information supporting the Authority's Statement on Internal Control (SIC) for 2006/07 and raised a number of issues – e.g. divergence from guidance in the SORP. The Authority issued a revised SIC which we concluded was consistent with our understanding of the Authority.

2.2 Whole of Government Accounts

Whole of Government Accounts (WGA) are "commercial-style" accounts that cover the whole of the public sector and include some 1,300 separate bodies. Each of these bodies is required to submit a consolidation pack. This is based on, but separate from, their statutory accounts.

The 2006/07 year was the first year of full "live" consolidation for the WGA process, and as auditors we were required to review and report on the WGA consolidation pack.

We have not yet submitted the pack to the Department for Communities and Local Government (DCLG). We are currently in discussions with officers to finalise the pack and issue our opinion on it.

2.3 Evaluation of Internal Audit

As previously reported our review of the work of Northampton's Internal Audit Services has confirmed that the service complies with the CIPFA *Code of Practice for Internal Audit*. In 2006/07, we placed reliance on most of the work of Internal Audit where it is relevant to our responsibilities.

2.4 Single Status

The Authority is progressing with its arrangements to implement Single Status from 1 April 2008. At the same time it is addressing any potential liability that it may have with regard to claims by employees and the equal opportunities legislation. The potential costs of implementation of Single Status and settlement of any equal opportunities claims have yet to be determined.

Section 2

Accounts and Statement on Internal Control

2.5 The Authority's financial position

We have provided commentary on the Authority's financial standing in section 3, page 7.

2.6 Certification of grant claims and returns

We have now reviewed and certified the majority of the Authority's grant claims and returns for the financial year 2006/07.

The approach to the certification of claims with a claim value in excess of £500,000 continues to be determined by risk and the adequacy of the Authority's control environment. Our certification work found that:

67 percent of claims certified by us had to be either amended or qualified (or both).

All claims related to 2006/07			All claims certified (to 19 December 2007)		
Claims due	6		Total claims certified by KPMG	6	
Submitted late/still outstanding	0	0%	Claims qualified	2	33%
Submitted over 3 months late	0	0%	Amended	1	17%
Submitted on time	6	100%	Qualified and amended	1	17%
			Neither qualified nor amended	2	33%

The Authority will need to address the weaknesses in systems and processes identified through our work which have resulted in qualification of claims such as errors reflected in the Housing and Council Tax Benefit subsidy claim. There is a risk that grant-paying bodies may consider clawing back grant funding where they are not satisfied with controls to ensure that expenditure claimed for is eligible.

2.6 Questions and objections from electors

Electors of Northampton Borough Council can raise with the auditor questions or objections to items of account. Any such queries can then require us to investigate the issue raised. We received a number of questions and queries during 2006/07, all of which have been resolved.

Section 3

Use of Resources

Our responsibilities under the *Code of Audit Practice* in relation to the Authority's use of resources, and where we report these, is set out in the following table:

Area	Timing of work	Report	Report date
Use of Resources Conclusion 2006/07	August-November 2007	Annual External Audit Report 2006/07	December 2007
2007 Use of Resources scored judgement	August-November 2007	Annual External Audit Report 2006/07	December 2007
Use of Resources issues from 2007/08	August-December 2007	Annual External Audit Report 2006/07	December 2008

The following section comments on our work on the Use of Resources scored judgement, and makes links to the risk areas we have identified in our 2006/07 Audit Plan where relevant.

3.1 Use of Resources assessment

The Use of Resources assessment is based around five Key Lines of Enquiry (KLOEs): Financial Management; Financial Standing; Financial Reporting; Internal Control; and Value for Money.

The Authority prepared a self assessment against the five KLOEs to help inform our review. We formulated our assessment against the KLOEs by considering the evidence in the self assessment, interviewing Officers and Members and reviewing evidence from our other audit work. Following internal quality control processes by KPMG at both a local and national level, the draft scores were submitted to the Audit Commission for its national review, and have now been approved. The 2007 scores for the five individual KLOEs for are:

KLOE	Score 2007	Score 2006
Financial Reporting	1	1
Financial Management	1	1
Financial Standing	2	1
Internal Control	1	1
Value for Money	2	1

Good practice and improvement opportunities

The Authority produced a comprehensive self-assessment with supporting evidence for our assessment which included information post 31 March 2007. This information demonstrated that a number of areas previously identified as being in need of improvement have been recognised and remedial action implemented since 1 April 2007. We will take account of these changes in our assessment as at 31 March 2008. Our recommendations therefore are limited to those of most importance.

Section 3

Use of Resources

KLOE 1: Financial Reporting

KLOE: 1 Financial Reporting	Score 2007	Score 2006
1.1 Production of statutory annual accounts	1	1
1.2 Promoting external accountability	2	2
Overall score for KLOE 1	1	1

This KLOE assesses the Authority's arrangements for producing and publicising its annual accounts in accordance with relevant standards and timetables.

The key improvement required is for its working papers to be comprehensive and available at the commencement of the audit.

KLOE 2: Financial Management

KLOE 2: Financial Management	Score 2007	Score 2006
2.1 Financial planning and budget setting	2	1
2.2 Managing performance against budgets	1	1
2.3 Asset management	1	1
Overall score for KLOE 2	1	1

This KLOE considers how well the Authority plans its finances and delivers on these plans.

The Authority's arrangements have been improved and should ensure that the Corporate Business Plan drives the Medium Term Financial Plan and that these are integrated with individual service business planning processes. Partnership arrangements should be reviewed to ensure that they continue to deliver the benefits envisaged when they were set up.

KLOE 3: Financial Standing

KLOE 3: Financial Standing	Score 2007	Score 2006
3.1 Managing spending within available resources	2	1

This KLOE evaluates the Authority's arrangements for managing its spending within the available resources, including how the Authority ensures that its finances are sustainable.

The Authority has managed its budget for 2006/07 and has taken early action to address potential problems it faced in setting its 2007/08 budget. As a result, the Authority has been able to maintain its available revenue balance for 2006/07 whilst increasing its earmarked reserves. Current monitoring by the Authority of 2007/08 income and expenditure indicates that its revenue position will be achieved.

Revenue

For the year ended 31 March 2007 the Authority reported a deficit of £0.211million on the General Fund against a balanced budget. This brings the Authority's cumulative General Fund balance to £2.893 million.

The net surplus on the Housing Revenue Account (HRA) was £1.166 million, increasing the fund balance to £5.803 million as at 31 March 2007.

The Authority's approved budget for 2007/08 includes drawing on reserves for £0.89m. At the end of November 2007 the projected outturn for the year is a deficit on the General Fund of £0.412 million – better than the original budgeted position.

Section 3

Use of Resources

Capital

The Authority approved a capital programme of £19.7 million for 2006/07. This compared with actual expenditure of £15.8 million. A total of £3.5million of capital expenditure (90% of the underspend) was re-profiled to the current financial year. The schemes affected by the most significant slippages were changing room improvements (£0.535 million) and St John's car park (£0.477 million).

For 2007/08, the Cabinet approved an initial capital programme of £13.59 million. Including additional approvals, re-profiling and self-financing this had increased to £18.7 million as at October 2007. As at October only £3.7 million (20%) had been spent. Whilst no slippage is anticipated for 2007/08 it is recognised it may occur as a result of circumstances outside of the Authority's control. However given the relatively low proportion of the capital actually expended to the end of October, progress should be monitored regularly.

The Authority should continue to ensure that its improved budget monitoring arrangements are maintained including regular reviews of income streams and effective recovery procedures.

KLOE 4: Internal Control

KLOE 4: Internal Control	Score 2007	Score 2006
4.1 Risk management	1	1
4.2 Internal control	1	1
4.3 Ethics and conduct	1	1
Overall score for KLOE 4	1	1

Internal control considers the Authority's control arrangements, encompassing risk management arrangements, the system of internal control and how the Authority ensures a high standard of conduct by Members and officers.

The Authority is introducing improvements in its internal control arrangements. These should include consideration of the following:

- Making the risk register an active document clearly understood by officers and members;
- Developing procedure manuals for key financial systems;
- Developing its assurance framework;
- Adopting a code of conduct for staff; and
- Ensuring its whistleblowing arrangements are clear and distinct from complaints.

KLOE 5: Value for Money

KLOE 5 Value for Money	Score 2007	Score 2006
5.1 Achievement of value for money	2	1
5.2 Processes to improve value for money	1	1
Overall score for KLOE 5	2	1

KLOE 5.1 considers how costs relate to performance. The Authority's current profile of performance and costs across and within services and operations shows a mix of high and low expenditure and performance.

Section 3

Use of Resources

A number of key improvements have been made, including:

- Developing an understanding of the relationship between cost and performance and mapping them against other similar authorities;
- Recognising the factors that have a particular impact on Northampton and which affect the Authority's relative cost/performance against others; and
- Communicating information in the form of graphs which indicate the performance of particular activities and services.

Other improvements that could be made include:

- Linking the capital programme to priorities; and
- Developing methodologies for capturing the views of users (and non-users) on service provision and performance.

KLOE 5.2

Good practice includes the service reviews produced by Scrutiny Committee.

Since March 2007 the Authority has introduced other measures including improved procurement practices and arrangements to achieve better performance management.

Recommendation 1: Use of Resources

The Authority should consider whether its current arrangements include:

- Its working papers are comprehensive and available at the commencement of the audit.
- Reviewing its partnership arrangements to ensure that they continue to deliver the benefits envisaged when they were set up.
- Ensuring that its improved budget monitoring arrangements together with regular review of income streams and effective recovery procedures are maintained.
- Introducing improvements in its internal control arrangements with particular attention required in;
 - Making the risk register an active document clearly understood by officers and members;
 - Developing procedure manuals for key financial systems;
 - Developing its assurance framework;
 - Adopting a code of conduct for staff; and
 - Ensuring its whistleblowing arrangements are clear and distinct from complaints.
- Developing and embedding a culture of VFM throughout the Authority.

Section 3

Use of Resources

3.2 Audit of Data Quality

The Audit Commission's *Code of Audit Practice* defines auditors responsibilities in relation to their duty to be satisfied as to whether audited bodies have proper arrangements in place for securing economy, efficiency and effectiveness in their use of resources. In particular, the *Code* requires auditors to consider the audited body's corporate performance management and financial management arrangements including "monitoring and reviewing performance, including arrangements to ensure data quality".

The work is important in the context of the continued development of the performance management framework in many organisations. Increased reliance on information for decision-making means that the accuracy of the information is vital for effective management.

Data is also important to external stakeholders wishing to review authorities' performance. Our work includes the validation of certain indicators to assist the Audit Commission with the CPA process.

Scope of our data quality work

Our review of data quality was conducted following the Audit Commission's Audit Guides, which divide our work into three stages. Our findings in relation to each of these stages are summarised below.

Stage 1: Review of management arrangements

We consider the arrangements in place by which the Council defines its objectives for data quality and aims to ensure that they are achieved. The areas covered were:

- Governance arrangements over data quality;
- The policy framework for data quality;
- Information systems and processes;
- People and skills; and
- Using data effectively.

We concluded that the Authority has adequate management arrangements in place in the above areas, but there is potential to develop these further, as indicated in the recommendations below.

Recommendation 2: The Authority should continue to develop its data quality arrangements. Specifically, it should focus on improving the following areas:

- Planned improvements to its governance arrangements should be implemented effectively and reviewed upon implementation.
- Departmental data quality leads should promote policies and procedures, and review and report on compliance.
- The Authority should ensure, through consultation with staff, that the new Performance Plus system provides high quality information in a format which maximises its usefulness.
- Data provided by third parties should be subject to formal protocols and quality checks.

Stage 2 : Comparison with other authorities

This audit step involves responding to the Audit Commission where it raises questions on the Authority's indicators. These questions may result from analysis of historical trends or comparison other authorities.

We gained sufficient evidence to be able to respond to the Audit Commission's questions, which were all resolved.

Section 3

Audit of data quality

Stage 3: Data testing

Based on our risk assessment of the indicators specified by the Audit Commission, we selected a sample of seven indicators for spot checks. These were :

- BV 183b – Length of stay in hostel accommodation;
- BV 184a – Non-decent LA homes;
- BV 199a, b & c – Street and environmental cleanliness;
- BV 212 – Re-let of council dwellings; and
- BV 214 – Repeat homelessness.

We asked the Authority to amend and BV 212 as they were not calculated according to the definition.

Number of indicators tested	7
Number of indicators amended	2
Number of reservations placed	0

3.3 Best Value Performance Plan

We are required to audit the Authority's Best Value Performance Plan to ensure that its contents comply with statutory requirements. We issued an unqualified opinion on the 2007/08 Plan on 7 December 2007. A copy of our opinion is included in Appendix E and there are no significant issues arising from our work which we wish to bring to the attention of Members.

3.4 Use of Resources conclusion

We are required to give a conclusion on the Authority's use of resources for 2006/07. The conclusion is based on whether the Authority meets 12 criteria specified by the Audit Commission, and is unqualified where these are all met and qualified if there are areas where the minimum standards are not fully achieved. Our overall assessment draws on our Use of Resources scored judgement (updated to 18 December 2007), our audit of data quality (which forms part of the 2007/08 Audit and Inspection Plan) and a review of the Authority's most recent Corporate Assessment.

We reported our conclusion on the Authority's use of resources as part of our accounts audit opinion, which was issued on 18 December 2007. This was a qualified conclusion.

Section 4

Accounting Policies

Further changes to accounting requirements take effect in 2007/08, a result of the 2007 SORP, including a new requirement for a Revaluation Reserve and Capital Adjustment Account will significantly alter capital accounting requirements. They are expected to prove challenging for many authorities – this change was originally to be brought in for 2006/07 but was postponed to allow more preparation time, given that significant changes will be required to fixed asset records going forward. We will evaluate the impact of any other changes and liaise with the Authority accordingly.

In a statement in the March 2007 budget the Chancellor confirmed that central government bodies covered by the FReM would be required to adopt International Financial Reporting Standards (IFRS), adapted as necessary for the public sector. The timetable announced by the Government is that adoption will be required for 2008/09. This will require the 2007/08 accounts to be restated for comparative purposes.

The CIPFA/LASAAC Joint Committee which is responsible for the LA SORP has indicated that IFRS will not be adopted in the local government sector until 2009/10, at the earliest, although the WGA returns for 2008/09 will have to be prepared under IFRS. CIPFA has published an analysis of the key differences between the SORP and IFRS and two of the key issues for local government (accounting for PFI/PPP schemes and accounting for infrastructure) will be the subject of Treasury guidance to be issued before the end of 2007.

As we get more guidance as to how IFRS are to be adapted for the public sector we will liaise with the Authority's finance team to ensure that they have appropriate plans in place to manage the transition. We are also working closely with our private sector IFRS team to ensure we benefit from our experience of the IFRS convergence process and we will work closely with you to ensure that we can transfer those benefits to you in the period leading up full adoption. We also believe that the extension of the period available to local government to prepare for IFRS must be used wisely if some of the problems experienced by companies in moving to IFRS are avoided and we would be happy to work with you to identify the key areas where progress really needs to be made.

Appendices

Appendix A: Summary of 2006/07 recommendations and action plan

No.	Recommendation	Priority	Management response	Timescale
1	<p>The Authority should consider whether its current arrangements include:</p> <ul style="list-style-type: none"> • Its working papers to be comprehensive and available at the commencement of the audit. • Reviewing its partnership arrangements to ensure that they continue to deliver the benefits envisaged when they were set up. • Ensuring that its improved budget monitoring arrangements together with regular review of income streams and effective recovery procedures are maintained. • Introducing improvements in its internal control arrangements with particular attention required in; <ul style="list-style-type: none"> – Making the risk register an active document clearly understood by officers and members; – Developing procedure manuals for key financial systems; – Developing its assurance framework; – Adopting a code of conduct for staff; and – Ensuring its whistleblowing arrangements are clear and distinct from complaints. 	High	<p>During the 2006/07 process we implemented a formal process for raising an audit query; this has highlighted a number of key areas where improvements to working papers are needed. Work is currently underway to implement these improvements. We are reviewing our year end timetable and we are committed to delivering a comprehensive set of working papers at the start of the audit.</p> <p>Review of Partnership arrangements.</p> <p>Budget monitoring and monitoring of debt recovery procedures are ongoing.</p> <p>Work on embedding risk management and developing internal control arrangements is currently underway.</p>	<p>30 June 2008</p> <p>31 March 2008</p> <p>Improved during 07/08 and Ongoing</p> <p>31 March 2008 and continuous</p>
2	<p>The Authority should continue to develop its data quality arrangements. Specifically, it should focus on improving the following areas:</p> <ul style="list-style-type: none"> • Planned improvements to its governance arrangements should be implemented effectively and reviewed upon implementation. • Departmental data quality leads should promote policies and procedures, and review and report on compliance. • The Authority should ensure, through consultation with staff, that the new Performance Plus system provides high quality information in a format which maximises its usefulness. • Data provided by third parties should be subject to formal protocols and quality checks. 	High	Agreed.	<p>31 March 2008</p> <p>31 March 2008</p> <p>31 July 2008</p> <p>31 December 2008</p>

Appendices

Appendix B: Follow up of previous year's recommendations

This appendix sets out the recommendations made in the previous year and details what progress has been made in implementing them.

No.	Issue	Recommendation	Current status	Priority
1	<p>Accounts processes</p> <p>We identified a number of accounts Performance Improvements Observations in our <i>Report to those Charged with Governance (ISA 260)</i>.</p>	The Authority should ensure that the recommendations raised in the <i>Report to those Charged with Governance</i> are implemented.	Progress against these recommendations is recorded in our <i>Report to those Charged with Governance 2006/07</i> .	Medium
2	<p>Legality of transactions</p> <p>We identified a two significant transactions whose the legality was questioned.</p>	The Authority should ensure proper financial and legal advice is sought.	The legality of the two transactions were resolved as lawful. The Authority has revised its arrangements to review the financial and legal aspects of any decisions before they are made.	High
3	<p>Internal audit</p> <p>Internal audit identified significant weaknesses in all financial systems provided in house which it reviewed.</p>	Ensure the recommendations raised by internal audit are implemented.	We reported in our <i>Report to those Charged with Governance</i> that 50% of Internal Audit's recommendations had been implemented.	High
4	<p>Data quality</p> <p>We assess the Authority has having poor arrangements for Data Quality.</p>	The Authority should review its data quality management arrangements and amend them to ensure it achieves at least a level 2.	Improvements have been made in 2006/07 and we have seen evidence that arrangements are being improved further. The Authority achieved level 2.	High
5	<p>Budget monitoring</p> <p>The Authority had no formal budget monitoring arrangements in 2005/06.</p>	The Authority should continue to develop and embed its budget monitoring.	Review arrangements were introduced in 2006/07 which have been further improved in 2007/08.	High

Appendices

Appendix C: Audit reports issued

This appendix sets out the reports that we issued during the year of our audit.

Report title	Date issued
Annual Audit and Inspection Plan 2006/07	April 2006
Annual Audit and Inspection Plan 2007/08	June 2007
Statement of Accounts 2006/07: ISA 260 Report to those charged with governance	September 2007
Auditors' report on the Best Value Performance Plan 2007/08	December 2007
Accounts opinion 2006/07 (interim)	October 2007
Accounts opinion 2006/07 (final), incorporating Use of Resources conclusion	October 2007
Annual Audit and Inspection Letter 2006/07	Pending (Scheduled for March 2008)

Appendix D: Fee summary

The table below summarises our fees for completing the 2006/07 audit.

Area of audit work	Planned fee /£	Actual fee /£
Financial statements	120,000	149,000
Use of Resources	55,050	55,050
Data Quality	40,950	40,950
Whole of Government Accounts	3,000	3,000
Grant claim certification *	50,000	50,000
Total	269,000	298,000

Our audit of accounts fee was more than expected owing to the issues outlined in section 2.1 and our *Report to those charged with governance (ISA 260)*. The fees have been agreed by Audit Committee.

Notes:

* Our work on grant certification is summarised in section 2 above. The fee above is an estimate.

Appendix E: Auditor's statutory report on the Best Value Performance Plan

Auditor's Report to Northampton Borough Council on its Best Value Performance Plan for the 2007/08 financial year

Certificate

We certify that we have audited the Best Value Performance Plan of Northampton Borough Council ("the Authority") in accordance with section 7 of the Local Government Act 1999 ("the Act") and the Audit Commission's *Code of Audit Practice*. We also had regard to supplementary guidance issued by the Audit Commission.

This report is made solely to the Authority, in accordance with section 7 of the Act. A copy of this report will be sent to the Audit Commission under 7(5)(b) of the Act in relation to our recommendation to the Audit Commission under section 7(4)(e). A copy of this report will be sent to the Secretary of State under 7(5)(c) of the Act if we include a recommendation under section 7(4)(f) that the Secretary of State should give a direction under section 15 of the Act.

Our audit work has been undertaken so that we might state to the Authority, to the Audit Commission and (where necessary) to the Secretary of State those matters we are required to state to them in such an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than (i) the Authority, for our audit work, for this report, or for the opinions we have formed, (ii) the Audit Commission, for our recommendation under section 7(4)(e) and (iii) the Secretary of State, for our recommendation (if positive) under section 7(4)(f) of the Act.

Respective Responsibilities of the Authority and the Auditor

Under the Local Government Act 1999, the Authority is required to prepare and publish a Best Value Performance Plan summarising its assessments of its performance and position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Authority is responsible for the preparation of the Plan and for the information and assessments set out within it. The Authority is also responsible for establishing appropriate performance management and internal control systems from which the information and assessments in its Plan are derived. The form and content of the Best Value Performance Plan are prescribed in section 6 of the Act and statutory guidance issued by the Government.

As the Authority's auditors, we are required under section 7 of the Act to carry out an audit of the Best Value Performance Plan, to certify that we have done so, and:

- to report whether we believe that the Plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Act and statutory guidance and, where appropriate, recommending how the Plan should be amended so as to accord with statutory requirements;
- to recommend:
 - where appropriate, procedures to be followed in relation to the Plan;
 - whether the Audit Commission should carry out a Best Value inspection of the Authority under section 10 of the Local Government Act 1999; and
 - whether the Secretary of State should give a direction under section 15 of the Local Government Act 1999.

Appendix E: Auditor's statutory report on the Best Value Performance Plan

Opinion

Basis of this opinion

For the purpose of forming our opinion as to whether the Plan was prepared and published in accordance with the legislation and with regard to statutory guidance, we conducted our audit in accordance with the Audit Commission's *Code of Audit Practice*. In carrying out our audit work, we also had regard to supplementary guidance issued by the Audit Commission.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide an opinion on whether the Plan has been prepared and published in accordance with statutory requirements.

In giving our opinion, we are not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the Authority. Our work therefore comprised a review and assessment of the Plan and, where appropriate, examination on a test basis of relevant evidence, sufficient to satisfy ourselves that the Plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the Plan complied with the requirements of the legislation and statutory guidance.

Where we have qualified our audit opinion on the Plan, we are required to recommend how the Plan should be amended so as to comply in all significant respects with the legislation and statutory guidance.

In our opinion, Bromsgrove District Council has prepared and published its Best Value Performance Plan in all significant respects in accordance with section 6 of the Local Government Act 1999 and statutory guidance issued by the Government.

Recommendations on procedures followed in relation to the Plan

Where appropriate, we are required to recommend the procedures to be followed by the Authority in relation to the Plan.

For the current financial year, we have not made any such recommendations.

Recommendations on referral to the Audit Commission/Secretary of State

We are required each year to recommend whether, on the basis of our audit work, the Audit Commission should carry out a Best Value inspection of the Authority or whether the Secretary of State should give a direction.

On the basis of our work:

- we do not recommend that the Audit Commission should carry out a Best Value inspection of XXX Council under section 10 of the Local Government Act 1999; and
- we do not recommend that the Secretary of State should give a direction under section 15 of the Local Government Act 1999.

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Northampton Borough Council

Audit Committee

26 February 2008

External audit progress report

1 Audit of accounts to 31 March 2007

The audit has been completed and we have issued our Annual External Audit Report. We have received confirmation from the Audit Commission of the Authority's Use of Resources scores for the year. These are set out in the Report.

- We issued our interim unqualified opinion on the financial statements on 18 October 2007. We issued our final unqualified opinion together with our audit certificate and use of resources conclusion on 18 December 2007. This marks the conclusion of our statutory responsibilities for the year.
- Annual Audit and Inspection Letter

The production of this letter is the responsibility of the Relationship Manager – Mary Perry – and will contain details of the Use of Resources assessment and the Direction of Travel report produced by the Audit Commission. The report will be issued by 31 March 2008.

- Grant claims

All of the Council's grant claims have been certified. We will shortly respond to a query from the Department of Work and Pensions on the 2005/06 Housing and Council Tax benefit return.

2 Audit of accounts to 31 March 2008

Progress to date

We have commenced our planning process for the 2007/08 audit. We have already met with key officers to discuss how to ensure smooth running of the audit and gave a short workshop on 7 February to finance staff involved in the accounts process.

Looking forward

We are proposing to work more closely with the Authority on the process for the final accounts audit and the 2008 Use of Resources assessment. We will review information provided in support of the Authority's self assessment as it becomes available so that agreement can be reached on our assessment.



We have scheduled an on site visit for April to perform systems and controls assessments as part of our 2007/08 accounts audit process.

3 Audit of accounts to 31 March 2009

We are currently working on the 2008/09 Annual Audit Inspection Plan. The production of this Plan is the responsibility of the Relationship Manager and will contain details of any Audit Commission inspections as well as our work. We will provide the Relationship Manager with our draft by 31st March 2008.

Appendices



Item No.
7A

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Internal audit progress report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	26 February 2008
Policy Document:	NO
Directorate:	Governance and Improvement
Accountable Cabinet Member:	Malcolm Mildren

1. Purpose

1.1 To provide the Audit Committee with a report summarising progress made against the approved internal audit plan and highlighting key issues identified in internal audit work to date.

2. Recommendations

2.1 Receive the report

3. Issues and Choices

3.1 Report Background

3.1.1 Introduction

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

3.1.2 Plan Outturn

We have undertaken work in accordance with the 2007/08 Internal Audit Plan which was presented to and approved by the Audit Committee at their meeting in February 2007.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. This shows that we have now completed our fieldwork on a number of assignments and have commenced a number of further reviews. Reports have been issued in both draft and final form and details are provided in section 2.

3.1.3 Reporting and activity progress

Draft reports

We have issued the following reports in draft format and are currently awaiting management responses:-

07/08 NBC 08 Creditors – This review focused upon access to the creditors system and that all transactions are accurately recorded in a timely manner. We will issue our final report on receipt of management responses.

07/08 NBC 10 Payroll – This review focused upon ensuring that controls are in place and operating effectively over the main monthly and weekly payrolls. We will issue our final report on receipt of management responses.

07/08 NBC 11 Housing Benefits – This review focused upon the controls and processes in place over housing benefits. We will issue our final report on receipt of management responses.

Fieldwork completed

Work has been completed for a number of internal audit reviews with draft reports about to be issued.

Other work performed

Work in progress – Work has also commenced in a number of other areas.

Our overall assessment of systems where work has been completed is summarised in Appendix 2

3.1.4 Summary of Key Risks

Overview

Our reports to date include a total of 134 recommendations of which 48 relate to this reporting period. A breakdown of these can be found in Appendix Two, which summarises the risk ratings associated with each finding and recommendation. No critical risks have been identified to date that need to be brought to the immediate attention of the Audit Committee.

In the current reporting period, we have identified 8 instances where a high risk rating has been given and whilst these issues may have a high impact for the system, function or process under review, they do not have a significant impact on the achievement of the overall objectives of the Authority. The key issues were noted during the creditors, payroll and housing benefits reviews and recommendations were made to address them;

Creditors

- During testing of adherence to procurement policy we identified that:
 - In 16 out of 30 cases adequate number of quotations had not been obtained in line with standing orders.

- 3 out of 30 officers consulted were not fully aware of procurement policy.

Payroll

- It was noted that the authorised signatory list does not refer to BACS payments. As such any officer who can authorise an invoice for payment can also authorise BACS payments. Given that payments made in respect of payroll vary from £70,000 for weekly payroll to £1.5 million for monthly payroll these should be more closely controlled. In addition the reconciliation of the BACS payment to Payroll is not being dated when evidenced as reviewed.
- During our testing of a sample of 25 overtime claim sheets (10 monthly, 15 weekly) we identified a number of issues connected with the authorisation process.
- Although the authority has implemented an authorisation list, it is not complete. This was highlighted during testing of overtime where we noted that supervisors were not included on the authorised signatory list and as such these overtime forms could not be verified as appropriately authorised. In addition payroll staff advised that the authorisation rights of certain individuals do not appear to be in line with their roles.
- During our testing of a sample of 20 expense claims we identified a number of issues primarily connected with the authorisation process.
- Members of the HR admin team have the same levels of access as payroll team to payroll data. Furthermore members of the payroll team can also access and amend HR information.

Housing benefits

- The Authority ceased usage of the IHSL Housing Rents system in October. Prior to this, reconciliation of the Housing Rents and Benefits systems was not possible due to a large number of reconciling items. The Authority is presently undergoing a process of reconciling individual accounts to ensure that the cumulative balance agrees at year end.
- The level of housing benefits debt at the Authority appears to have increased over the year. (Approx. £2.1 as at December 2007)

3.1.5 Other issues

Team Central – recommendation tracking update

All 2005/06 and 2006/07 recommendations have been transferred onto Team Central and emails sent to all responsible officers on 3 January 2008.

These responses are now being assessed and where implemented follow up action will be undertaken if appropriate prior to the issues being closed. There were over 200 recommendations and over 20 responsible officers asked to comment on these.

We are currently in the process of establishing the type of reporting that would best suit management and the Committee's needs. Once these have been determined regular reports can be run for Management and for the Committee.

One suggested approach could be for all the detail relating to High Risk recommendations being reported to the Committee and a summary of recommendations and number actioned for each assignment.

Given that the system is new to users at the Authority there have been teething troubles and issues over accessing the system. As part of the roll out we contacted all users to ensure that they could access the system and continue to provide support. Work is also being undertaken to ensure that the right level of staff have access to any recommendations that may impact upon them.

Next Stage: A reminder email will be sent out to all in March and 2007/08 recommendations to be added to the system.

3.2 Issues

3.2.1 As detailed in the report

3.3 Choices (Options)

3.3.1 N/a

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

4.2.1 Risks may be highlighted as a result of audit issues being reported. In this instance, there are no reported significant control issues.

4.3 Legal

4.3.1 N/a

4.4 Equality

4.4.1 N/a

4.5 Consultees (Internal and External)

4.5.1 Director of Finance and Head of Finance

4.6 Other Implications

4.6.1 N/a

5. Background Papers

5.1 Appendices to the report

- Appendix 1 - Progress against approved plan
- Appendix 2 – Summary of recommendations made

5.2 Individual internal audit reports are available if required.

Chris Dickens
Senior Manager
PricewaterhouseCoopers LLP
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Appendix One

Planned activity	Planned days	Actual days	Status
1. Core Financial Systems – Fundamental assurance			
▪ General Ledger	10	10	Draft Report
▪ Debtors	10	10	Draft Report
▪ Creditor Payments	12	12	Draft Report
▪ Payroll	10	10	Draft Report
▪ Budgetary Control	15	15	Fieldwork Complete
▪ Council Tax	10	10	Final Report
▪ National Non Domestic Rates (NNDR)	3	3	Final Report
▪ Bank Reconciliations	8	5	Fieldwork Complete (Further work planned March 08)
▪ Cashiers	7	7	Final Report
▪ Treasury Management	5	5	Final Report
▪ Housing Benefits	10	10	Draft Report
▪ Fixed Assets	5	4	Fieldwork Complete

Planned activity	Planned days	Actual days	Status
2. Operational system reviews – risk based assurance <ul style="list-style-type: none"> ▪ Savings & Efficiency Programme ▪ Legal Services ▪ Human Resources ▪ Health & Safety ▪ ICT Audits ▪ BCP Arrangements ▪ Westbridge DLO ▪ Voluntary Grants ▪ Contract Audit ▪ Void Management 	<p style="text-align: center;">15</p> <p style="text-align: center;">15</p> <p style="text-align: center;">20</p> <p style="text-align: center;">10</p> <p style="text-align: center;">30</p> <p style="text-align: center;">10</p> <p style="text-align: center;">15</p> <p style="text-align: center;">10</p> <p style="text-align: center;">20</p> <p style="text-align: center;">10</p>	<p style="text-align: center;">14</p> <p style="text-align: center;">2</p> <p style="text-align: center;">0</p> <p style="text-align: center;">1</p> <p style="text-align: center;">5</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">10</p> <p style="text-align: center;">2</p> <p style="text-align: center;">10</p>	<p style="text-align: center;">Fieldwork substantially complete (To be undertaken along with contract audit)</p> <p style="text-align: center;">Deferred to 2008/09 at request of Management</p> <p style="text-align: center;">Planning</p> <p style="text-align: center;">Planning - to be delivered in Q3/Q4</p> <p style="text-align: center;">Planning</p> <p style="text-align: center;">Planning</p> <p style="text-align: center;">Draft Report (To be undertaken along with legal services)</p> <p style="text-align: center;">Final report</p>

Planned activity	Planned days	Actual days	Status
3. Strategic – performance assurance <ul style="list-style-type: none"> ▪ Risk Management ▪ Governance & Management Information ▪ Performance management & Improvement Delivery ▪ Planning Applications 	<p style="text-align: center;">20</p> <p style="text-align: center;">15</p> <p style="text-align: center;">20</p> <p style="text-align: center;">10</p>	<p style="text-align: center;">5</p> <p style="text-align: center;">8</p> <p style="text-align: center;">5</p> <p style="text-align: center;">8</p>	<p style="text-align: center;">Ongoing</p> <p style="text-align: center;">Ongoing</p> <p style="text-align: center;">Deferred</p> <p style="text-align: center;">Fieldwork</p>

Planned activity	Planned days	Actual days	Status
4. Other			
<ul style="list-style-type: none"> ▪ Specific follow up reviews: <ul style="list-style-type: none"> ➤ Communication ➤ Citizen Engagement ➤ Partnership ▪ General follow up ▪ NFI ▪ Audit Management 	15	10	Fieldwork
	8	7	Ongoing
	12	10	Ongoing
	20	18	Ongoing
Total	380	220	Also see amendments to plan
Work deferred to 2008/08			
<ul style="list-style-type: none"> ▪ Human Resources ▪ Performance management & Improvement Delivery 		20	
		15	

Amendments to plan	Agreed days	Actual days	Status

<p>Days either re-allocated from within plan or released due to operational efficiencies.</p> <ul style="list-style-type: none"> ▪ Work on overtime & expenses ▪ Budgetary Control (Timeliness of reporting) ▪ Housing Rents (Time released from Legal Services and Contract Audit) 		<p style="text-align: center;">2 6 8</p>	<p style="text-align: center;">Completed Fieldwork Complete (2 days to complete) Fieldwork (2 days to complete)</p>
<p>Total</p>		<p style="text-align: center;">16</p>	

Appendix Two

Assignment	Critical	High	Medium	Low	Total	Overall assurance rating
07/08 NBC 01 NNDR	0	0	1	4	5	High
07/08 NBC 02 Treasury Management	0	0	2	5	7	Moderate
07/08 NBC 03 Council Tax	0	1	6	5	12	Limited
07/08 NBC 04 Voluntary Grants*	0	2	7	3	12	Limited*
07/08 NBC 05 Void Management	0	0	3	3	6	Moderate
07/08 NBC 06 Cashiers	0	0	1	8	9	Moderate
07/08 NBC 07 General Ledger*	0	1	8	7	16	Limited*
07/08 NBC 08 Creditors*	0	1	8	3	12	Limited*
07/08 NBC 09 Debtors*	0	4	6	9	19	No Assurance*
07/08 NBC 10 Payroll*	0	5	7	8	20	Limited*
07/08 NBC 11 Housing Benefits*	0	2	7	7	16	Limited (with improvement)*

(* denotes that report has been issued in draft and as such findings and assurance rating yet to be finalised.)

Northampton Borough Council

Internal audit risk assessment and plans

Draft Operational plan 2008/09

Strategic plan 2009/10 – 2011/2012



Distribution List

Audit Committee
Chief Executive
Corporate Directors
Corporate Managers

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1 Introduction

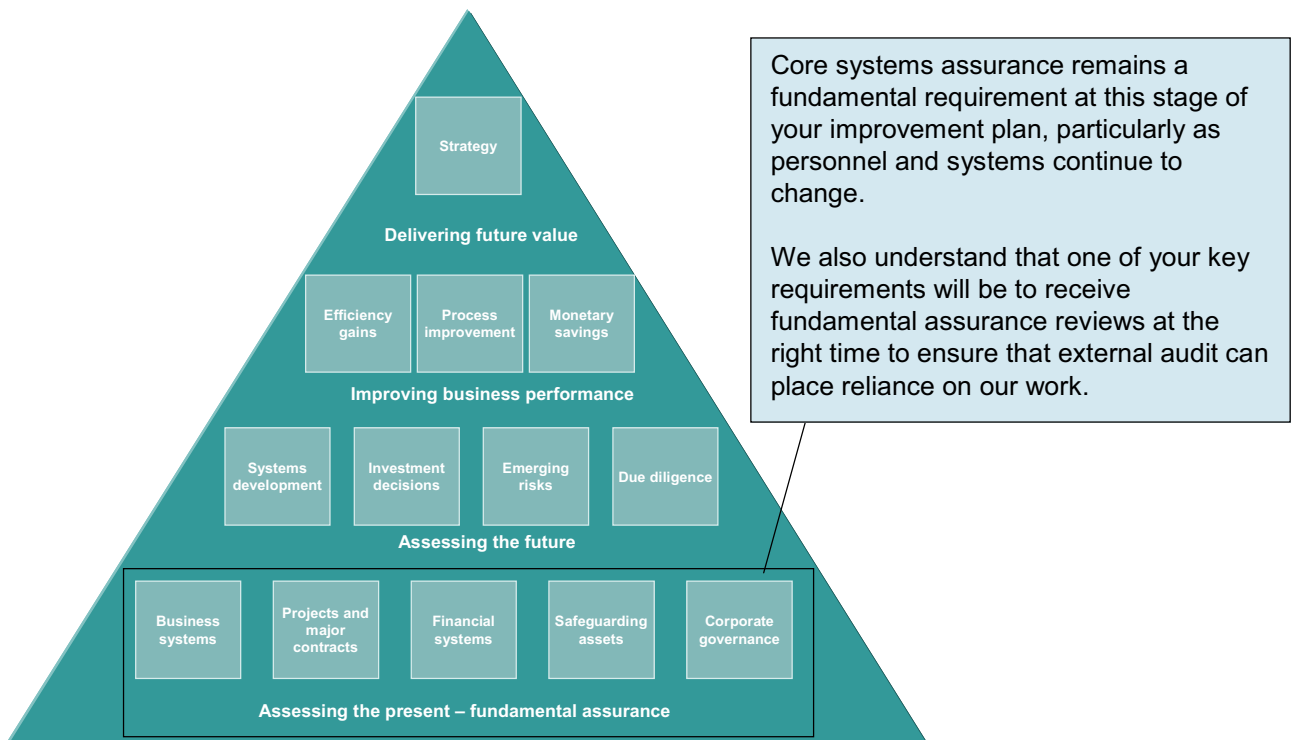
In order to ensure that Northampton Borough Council's (NBC's) internal audit resources are effectively utilised, we have made use of the current assessment of the most significant risks facing NBC, as part of the process for preparing the Annual Internal Audit Plan for the period 2008/2009. This is in line with current Internal Audit Standards and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. We have also considered this information in developing an indicative three year strategic audit plan covering the period up to March 2011.

Our knowledge of risk management at NBC means that we are able to place **limited** reliance on the Council's risk management process and its corporate risk register in formulating our audit plan.

This Risk Assessment is a key factor in deciding how to allocate internal audit resources available. It ensures that resources are focused on those areas where they can be of most benefit to NBC by providing assurance to the Audit Committee and management on controls over key risks. This document sets out the key risks identified and our responses as internal auditors.

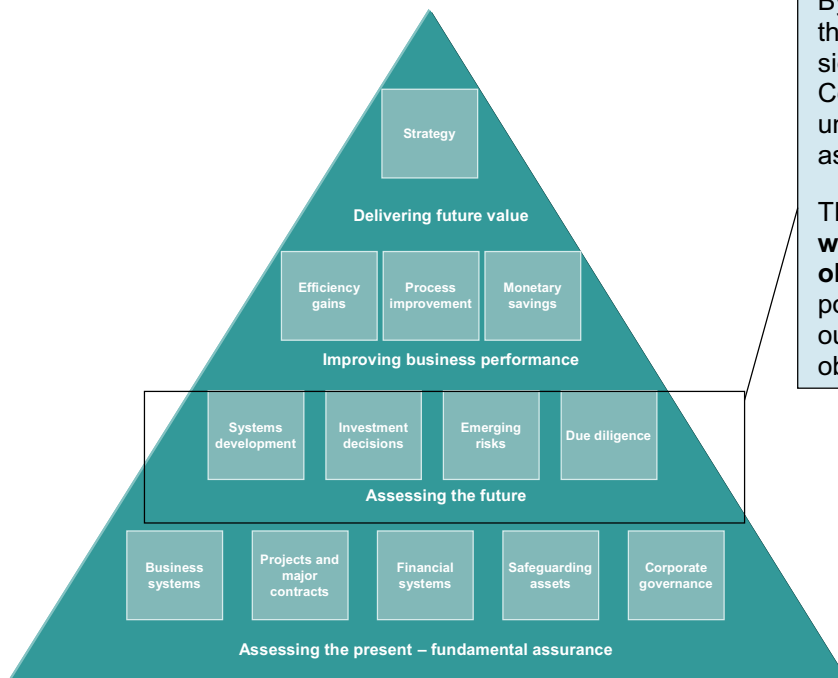
2 Providing assurance

Providing fundamental “core systems” assurance



We recognise the necessity to provide you with an on-going level of fundamental “core systems” assurance. This is particularly important as you implement changes to these systems. More traditional audit work will also be supplemented with IT audit as you implement new systems. We will also seek to maximise audit efficiency by working closely with your external auditors, KPMG. This includes developing and enhancing our existing working arrangements with the external auditors. The ongoing changes to the management arrangements within the finance function increase the need to ensure that there remains a high proportion of internal audit resource allocated to this fundamental assurance.

Moving towards a risk based audit approach



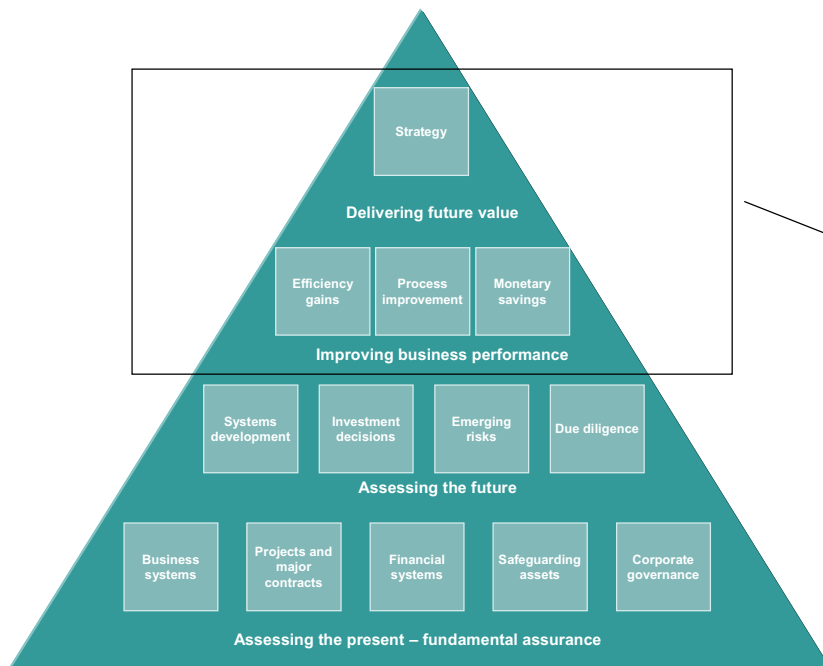
By adopting a risk based audit approach there will be clear linkage between the significant risks identified in your Corporate Risk Register and the work undertaken by internal audit in providing assurance against these.

The definition of risk is **“anything that will prevent you from achieving your objectives”**. As a result, the starting point for a risk based audit approach is our understanding of the Council’s objectives.

Risk based work is also critical to the Council, as it seeks to improve the risk awareness of staff, and improve overall control. Our work programme is designed to provide assurance that the significant risks identified within your risk register are being managed effectively. As part of this process we will also examine your risk management framework and governance procedures.

Delivering value through improved performance

Internal audit can also provide a valuable role in improving business performance and delivering future value. We can assist the Council through the deployment of specialist skills and experience, and our expertise in helping Council’s deliver their improvement priorities through value added work.



A significant element of the internal audit plan will remain focused on fundamental assurance. However, over time as risk management processes develop and the internal control environment strengthens, we would expect the proportion of the internal audit plan spent on this to reduce. This will enable us to concentrate more of our resources on assisting you to improve your business performance in areas such as efficiency gains, process improvements and delivering savings.

We have identified a number of internal audit assignments at a strategic level, which will focus upon strategic and/or operational effectiveness. These include:

- Risk management
- Governance arrangements
- Performance management

Next steps

On approval of the risk assessment and internal audit plans, we will agree a 'project sponsor' for each review with management. All project sponsors will then be contacted and made aware of all audits during the year where they are the nominated sponsor. At this stage we will agree the timing of each review and a more detailed scope of work. We will then issue a more detailed operational audit plan for 2008/09 which will include the agreed audit dates and the key contact from the Council and the auditor from PwC. We will then issue Terms of Reference for each review in line with the agreed protocol. It is expected that this will be completed before the end of March 2008.

3 The risk assessment process

**The information which has been used to prepare our Risk Assessment and proposed Internal Audit plan has been collected and collated from a number of different sources, including:

- A review of the NBC strategic and departmental risk registers to identify corporate and category 1 risks.
- Consultation with the following key individuals:
 - Chief Executive
 - Corporate Directors and corporate managers
 - Chair of Audit Committee
 - External auditors
- A review of relevant documentation and reports provided to us
- Our knowledge of the Council and results of our Internal Audit work undertaken in 2006/07 and 2007/08.

Completeness of assessments and future reviews

Our risk assessment is limited to matters emerging from the processes listed above. We will review and update this assessment and the resulting internal audit plan annually. If, however, additional risks arise, or change in priority, during the year the audit plan will be reconsidered with management and, with the approval of the Audit Committee, amended to ensure that audit resources are focused on the new risk areas.

The risk assessment

Section 4 summarises the results of our Internal Audit Risk Assessment incorporating the corporate and category 1 risks from the corporate and departmental risk registers. They show:

- The risk and action to reduce risk as identified by the Council; and
- Our response with regard to our Internal Audit Plan.

This will allow the Audit Committee to track the proposed audit response to all the most significant risks NBC has identified. The Council's own response to these strategic risks will be addressed through its risk management process, which NBC operates as part of its overall governance arrangements.

4 Our risk assessment

Strategic risks identified by the Council through risk management processes			Audit response (Cross- referenced to operational plan)
Risk	Category	Actions to Reduce Risk	
Loss of reputation with Government Regional and Local Partners	2	<ul style="list-style-type: none"> CM target to include participation in national working parties 	No specific internal audit work
Inability to manage the effects of a major incident	3	<ul style="list-style-type: none"> Recruit to risk and business continuity manager post – Q4 2007 Review of current arrangements for risk and business continuity post appointment 	OP3.1 Risk management
Loss of Public and Staff Confidence in the Council	2	<ul style="list-style-type: none"> Collect, publish and act on results of the EOP All staff appraisals to be completed on time 	OP3.2 Governance OP2.1 HR
Failure to take opportunities	2	<ul style="list-style-type: none"> Complete LDS Programme 	OP2.2 Regeneration
Risk of a divided community	2	<ul style="list-style-type: none"> Complete and adopt the Sustainable Community Strategy for Northampton Community Cohesion Strategy would set out the necessary mitigations, and resourcing this will be an issue Mapping of the Community Profile 	No specific internal audit work
Non compliance with key regulations and statutory requirements	2	<ul style="list-style-type: none"> Establish clear lines of accountability Develop and publish Financial Procedures Develop and publish Contract Regulations 	OP1.15 IFRS Health check OP1.16 VAT

Category 1 risks identified by the Council through risk management processes			Audit response (Cross- referenced to operational plan)
Risk	Area	Actions to Reduce Risk	
Non compliance with governance procedures	Governance & Communications	<ul style="list-style-type: none"> Review of political governance procedures New managerial governance procedures in place New PMA arrangements agreed at AGM. Report sign-off etc, now required 	OP3.2 Governance - management information
Failure to develop a long term Corporate plan 2007/08 – 2010/11	Governance & Communications	<ul style="list-style-type: none"> Corporate Planning Cycle in Place Core planning team established Consultation plan in place to involve staff – stakeholders Process developed to involve Councillors and managers 	OP3.2 Governance OP3.3 Performance management
Corporate Manslaughter and Corporate Homicide	Community Safety Leisure – Town Centre Operations	<ul style="list-style-type: none"> Training of operational managers and team leaders – Information on managing health and safety available on the intranet and manual provided for all Corporate managers and employees. – Policies and Procedures in place 	OP2.1 HR
Health and Safety management at the Bus Station	Community Safety Leisure – Town Centre Operations	<ul style="list-style-type: none"> Investigation of all reported incidents – Monitoring of uneven flooring 	No specific internal audit work
Demand for services exceeds what we can supply	Streetscene	<ul style="list-style-type: none"> Bids for additional budget to be submitted to accommodate increased service need Establish an Environmental Improvement Board to include relevant external stakeholders and councillors 	OP1.5 Budgetary control OP2.3 Westbridge

Category 1 risks identified by the Council through risk management processes			Audit response (Cross- referenced to operational plan)
Risk	Area	Actions to Reduce Risk	
		<ul style="list-style-type: none"> Establish in house procedures to supply the council with key information such as road meterage, numbers of houses, grass areas etc. Complete Service Plans 	
Failure to meet the Decent Homes Standard by 2010	Streetscene	<ul style="list-style-type: none"> Complete review of Alternative Funding opportunities Development and implementation of an Asset Management Strategy Development and implementation of an Investment Plan Development and Implementation of a Tenant Participation Strategy 	OP2.3 Westbridge
Failure to meet milestones in Local Development Scheme	Regeneration	<ul style="list-style-type: none"> Establish a Joint Planning Team between 3 local authorities Allocation of agreed additional budget by Finance Review recruitment and retention process Commence second phase to recruit new personnel for Planning Team Joint Planning Team to deliver to LDS programme 	OP2.2 Regeneration
Loss of key staff	Finance	<ul style="list-style-type: none"> Internal training opportunities to be identified Acting up opportunities and mentoring provided to key staff Complete Finance restructure and investigate performance management 	OP2.1 Human Resources

Category 1 risks identified by the Council through risk management processes			Audit response (Cross- referenced to operational plan)
Risk	Area	Actions to Reduce Risk	
Non compliance with statutory requirements	Finance	<ul style="list-style-type: none"> Establish Grant Register Raise awareness of register amongst senior management. Ensure that grants are not qualified and where this occurs to address the issues and plan into future work 	OP1.2 Debtors
Bank accounts too diverse and not reconciled on a timely basis	Finance	<ul style="list-style-type: none"> Reduce the number of bank accounts Assign responsibility for monthly reconciliations Establish and continuously monitor key treasury PIs 	OP.1.8 Bank Reconciliations OP1.10 Treasury management
Failure to integrate effective performance management into working practices	Performance and Improvement	<ul style="list-style-type: none"> Embedded new team members into CPMT Procure new Performance Management system Commence implementation of new Performance Management system 	OP3.3 Performance management and improvement plan delivery
Inability to deliver LDF on time	People Planning and regeneration	<ul style="list-style-type: none"> Procurement of a call down with a planning consultant Gain commitment of member councils and JPU to early recruitment to any future vacancies 	No specific internal audit work
Lack of capacity in key areas / skills not aligned to key objectives	People Planning and regeneration	<ul style="list-style-type: none"> Refresh the Council Vision Update the Corporate Plan 	OP2.1 Human Resources

Category 1 risks identified by the Council through risk management processes			Audit response (Cross- referenced to operational plan)
Risk	Area	Actions to Reduce Risk	
Failure to secure long term management arrangement for traveller site	Development Building Control and Environmental Health	<ul style="list-style-type: none"> • Monitor regularly • Prepare contingency plan for long term management • Evaluate tenders • Let contract or implement contingency plan • Prepare fallback position for short term management • Negotiate with preferred supplier • Report to cabinet 	No specific internal audit work

In addition to the corporate risk registers, we have also identified other risk areas through our discussions with the Chief Executive and Directors. These have been included in the operational plan in Section 5.

Management should consider those areas where there is no specific internal audit work planned and ensure that they can obtain sufficient assurance from other sources that risks are being mitigated effectively.

5 Proposed internal audit plan

The proposed internal audit plan for 2008/09 is set out below (in summary and detail) for the approval of management and the Audit Committee. This has been informed by the risk analysis in Section 3 in accordance with modern internal auditing standards and the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

In each instance an overview of the review has been included, along with estimated days. Once the programme has been agreed in outline, we will refine the precise scope of each review and agree this, and the related days, with management.

Our plan assumes a mix of days as detailed below:

Grade	Days	% of audit plan
Auditor	170	45%
Manager	19	5%
Director/Senior Manager/Specialist	188	50%

Summary operational internal audit plan 2008/09

Area of coverage	Proposed Days (2008/09)	Prior Year Days (2007/08)
Fundamental assurance (core systems reviews)	136	105
Risk based assurance (operational systems reviews)	113	155
Performance assurance (strategic reviews)	45	65
Other	83	55
TOTAL	377	380

Detailed operational internal audit plan 2008/09

System	Source	Points of Focus	Audit approach	Days
OP1 Core systems reviews – fundamental assurance				
OP1.1 General Ledger	Managed audit	Input controls. Accuracy of outputs. Security over access and data. System enhancements. Changes in key staff or operating procedures.	Full systems review; Review any system enhancements. Changes in key staff or operating procedures. Follow up	8
OP1.2 Debtors	Managed audit	All sources of income are identified. Invoices are raised in a timely, complete and accurate fashion. Adequacy of debt collection, recovery and write-off procedures. Security over access and data.	Full systems review; Review any system enhancements. Changes in key staff or operating procedures. Follow up	10
OP1.3 Creditor payments	Managed audit	Accuracy and review of output from the creditors system. Orders are raised in respect of all goods required. Payments are accurately made for goods received and appropriate authorisation has taken place. Security over access and data.	Full systems review; Changes to Agresso, OAP & Uniclass. Changes in key staff or operating procedures. Follow up	10

System	Source	Points of Focus	Audit approach	Days
OP1.4 Payroll	Managed audit	<p>Starters, leavers and amendments</p> <p>Calculation of deductions</p> <p>Temporary variations to pay</p> <p>Security of system and access controls</p> <p>Operation, recording and certification of flexi time scheme</p>	<p>Full systems review;</p> <p>Review any system enhancements.</p> <p>Changes in key staff or operating procedures.</p> <p>Follow up</p>	10
OP1.5 Budgetary Control	Managed audit	<p>Budgets setting.</p> <p>Budgetary responsibility is delegated to trained and clearly defined budget holders who receive sufficient management information.</p> <p>Monitoring data on overall budget performance is accurate, produced on a regular basis, and subject to appropriate levels of review within the organisation.</p> <p>Budget variations are analysed, investigated, explained and acted upon.</p> <p>Any savings and efficiencies highlighted are realistic and achieved.</p>	<p>Full systems review;</p> <p>Assess implementation of revised budgetary control process.</p> <p>Assess usefulness of reporting.</p> <p>Obtain user feedback on management reporting and monitoring.</p> <p>Identify any areas of major overspend and establish if any saving and efficiencies have been identified to offset these.</p>	10

System	Source	Points of Focus	Audit approach	Days
OP1.6 Council Tax	Managed audit	<p>All properties have been identified and appropriate charges made</p> <p>Adequate control over monitoring and collection of charge</p> <p>Any dispensations are appropriately evidenced and authorised</p> <p>Arrears management</p> <p>Authorisation of write offs</p> <p>Process for amending bandings</p>	<p>Limited scope review;</p> <p>Review any system enhancements.</p> <p>Changes in key staff or operating procedures.</p> <p>Follow up</p>	10
OP1.7 National Non Domestic Rates	Managed audit	<p>Identification and valuation of properties</p> <p>Relief's and exceptions are appropriately calculated and applied</p> <p>Billing & collection</p> <p>Recovery and enforcement</p> <p>Accounting for NNDR</p> <p>Compliance with legislation</p>	<p>Limited scope review;</p> <p>Assess any changes made to the system.</p> <p>Undertake testing to ensure controls are operating.</p> <p>Follow up</p>	5
OP1.8 Bank Reconciliations	Managed audit	<p>All bank accounts are subject to regular independently reviewed reconciliations.</p> <p>Use of suspense accounts is limited and items promptly cleared.</p> <p>Re-performance of reconciliations to ensure accurately completed.</p>	<p>Limited scope review;</p> <p>Assess any changes made to the system.</p> <p>Undertake testing to ensure controls are operating.</p> <p>Follow up</p>	10

System	Source	Points of Focus	Audit approach	Days
OP1.9 Cashiers	Managed audit	<p>All income collection points are known.</p> <p>Adequate controls are in place over post opening and processes in place for the secure receipt and recording of cash.</p> <p>Cash is adequately safeguarded.</p> <p>Banking takes place promptly.</p> <p>Accurately recorded against debtor and income accounts.</p> <p>Minimal use of suspense accounts.</p> <p>Adequate segregation of duties are in place.</p>	<p>Limited scope review;</p> <p>Assess any changes made to the system.</p> <p>Undertake testing to ensure controls are operating.</p> <p>Follow up</p>	7
OP1.10 Treasury Management	Managed audit	<p>Corporate treasury activities are monitored and controlled</p> <p>Reporting and monitoring of treasury management activities</p> <p>Banking arrangements are suitably controlled</p> <p>Cash balances are forecast and monitored</p> <p>Investments are in line with strategy</p> <p>Adequate controls exist over borrowing/loan arrangements</p> <p>Adequate controls are in place over Cheques and electronic transfers</p>	<p>Limited scope review;</p> <p>Assess any changes made to the system.</p> <p>Undertake testing to ensure controls are operating.</p> <p>Follow up</p>	5
OP1.11 Housing Benefits	Managed audit	<p>Benefit assessment and payments</p>	<p>Review of assessment and payment procedures</p> <p>Overview of progress against improvement plan</p> <p>Follow-up</p>	10

System	Source	Points of Focus	Audit approach	Days
OP1.12 Fixed Assets	Managed audit	<p>Acquisitions identified</p> <p>Treatment of surplus assets</p> <p>Disposals/transfer of assets</p> <p>Capital assets are completely and accurately recorded</p> <p>Capital asset verification</p> <p>Accounting for fixed assets and associated capital charges / revaluations</p> <p>Fixed assets are appropriately disclosed</p> <p>System is secure against unauthorised access and data loss</p>	<p>Limited scope review;</p> <p>Assess any changes made to the system.</p> <p>Undertake testing to ensure controls are operating.</p> <p>Follow up</p>	5
OP1.13 Housing Rents	Managed	<p>Rent setting and annual increases</p> <p>Calculation of annual rent debit</p> <p>Changes to housing stocks</p> <p>Debt collection, allocation and rebates</p>	<p>Limited scope review;</p> <p>Assess any changes made to the system.</p> <p>Undertake testing to ensure controls are operating.</p> <p>Follow up</p>	10
OP1.14 Expenses (including members)	Prior work on expenses and greater scrutiny of those in Public Office.	<p>Up to date policies and procedures in place</p> <p>Only eligible expenditure is being claimed</p> <p>Appropriate authorisation and checks in place</p> <p>Payment of professional fees and relevance to role of claimant.</p>	<p>Limited scope review;</p> <p>Assess level of controls in place and compliance with policies and procedures.</p> <p>Undertake testing to ensure controls are operating effectively</p>	10
OP1.15 IFRS Healthcheck	Internal Audit	Preparation for introduction of IFRS	<p>Limited scope review:</p> <p>Assess whether the authority is preparing itself for introduction of IFRS.</p>	5

System	Source	Points of Focus	Audit approach	Days
OP1.16 VAT	Head of Finance	Preparation and authorisation of VAT returns	Limited scope review: Review arrangements for preparation and authorisation of VAT returns. Overview of VAT arrangements in place	10
Subtotal				136

System	Source	Points of Focus	Audit approach	Days
OP2 Operational systems reviews – risk based assurance				
OP2.1 Human Resources	HR risk register	<p>Recruitment and retention and use of consultants/ agency staff</p> <p>New process for recruitment of Agency workers through Comensura</p> <p>Compliance with new HR practices and introduction of KPIs</p> <p>Industrial relations</p> <p>Mechanisms to assess the effectiveness and investment in staff training and development</p>	<p>Limited scope reviews:</p> <p>Evaluation of recruitment procedures (including CRB and qualification checks)</p> <p>Protocols and procedures for use of consultants and agency staff</p> <p>Procedures for checking compliance and evaluation of arrangements with Comensura</p> <p>Review of industrial relations procedures and arrangements</p> <p>Review training and development policy and how its effectiveness is being monitored.</p>	20
OP2.2 Regeneration	Regeneration risk register	Local Development Scheme	<p>Limited scope review:</p> <p>Governance arrangements</p> <p>Financial implications</p> <p>Project planning and management</p>	10
OP2.3 Westbridge DLO	<p>Streetscene risk register</p> <p>Audit Committee</p> <p>Corporate Manager - FR</p>	<p>Decent Homes</p> <p>Delivering service needs</p> <p>Progress made against APSE recommendations</p> <p>Void expenditure and void turnaround</p>	<p>Full scope review:</p> <p>Delivery of decent homes standard</p> <p>Asset management</p> <p>Relationship with reactive maintenance</p> <p>Follow-up of 2007/08 audit work and APSE report</p> <p>Void management</p>	20

System	Source	Points of Focus	Audit approach	Days
OP2.4 Housing Management	Corporate Manager – FR	Use of temporary accommodation and VFM	Limited scope review: Assess the processes and procedures in place for using temporary accommodation and any VFM arrangements in place.	8
OP2.5 Procurement / VFM	Strategic Plan	Procurement strategy. Achievement and reporting upon VFM.	Review of approach being taken to ensure value for money in respect of purchasing activity. Assess current procurement processes and strategies.	10
OP2.6 Freedom of Information and Data Protection	Strategic Plan	Compliance with Legislation. Handling of data.	Limited scope review: Assess compliance with Freedom on Information Act and assess controls in place over data protection.	10
OP2.7 Concessionary Fares	Cyclical review	Agreements in place with service providers and cost to the authority.	Limited scope review: Review agreements in place and review process for management of concessionary fares. Assess impact of new scheme.	10
OP2.8 Environmental Health	Internal Audit	Management of licensing activity	Limited scope review: High level review of systems and procedures in place for granting, monitoring and enforcement in relation to licensing.	5

System	Source	Points of Focus	Audit approach	Days
OP2.9 ICT audits	Performance and Improvement risk register	Project initiation and management Data security	Full scope reviews: Project management procedures Data security	20
Subtotal				113

System	Source	Points of Focus	Audit approach	Days
OP3 Strategic – performance assurance				
OP3.1 Risk management (including fraud risk management assessment)	CPA – use of resources	Risk management framework Fraud risk management	Limited scope review Progress with risk management and assurance Fraud risk assessment Security arrangements at Guildhall	15
OP3.2 Governance - management information	Corporate risk register Legal Services risk register	Management information to Cabinet	Limited scope review Robustness of management information provided to Cabinet members Process for production and authorisation of MI.	15
OP3.3 Performance management and improvement plan delivery	Performance and improvement risk register	Performance framework KPIs Monitoring of delivery of improvement plan	Full scope review Performance management measurement and monitoring Mechanism for monitoring delivery of improvement plan	15
Subtotal				45

System	Source	Points of Focus	Audit approach	Days
OP4 Other				
OP4.1 Specific follow up reviews: Contract Audit (Capital Programme) and Legal Services Grants to voluntary bodies		Follow up on recommendations made as part of 2007/08 Internal Audit Work on: Project management of capital contracts	To obtain confirmation of actions taken to address any weakness highlighted	8
OP4.2 General follow up	TeamCentral	Recommendations made as part of 2007/08 Internal Audit Work.	To obtain confirmation of actions taken to address any weakness highlighted as part of 2007/08 Internal Audit Work and verify where appropriate.	10
OP4.3 NFI	Audit Commission	Review of relevant reports prior to reporting back to Audit Commission.	To liaise with Risk Manager and identify reports that require audit follow up and investigate in a timely manner so that returns can be made to the Audit Commission.	12
OP4.4 Contingency & Investigative work	Director of Finance			35
OP4.5 Audit management				18
Subtotal				83
TOTAL				377

6 Proposed 3 year internal audit plan

	2008/09	2009/10	2010/11
<i>Core systems reviews</i>			
General Ledger	8	8	8
Debtors	10	8	8
Creditors	10	8	8
Payroll	10	8	8
Budgetary Control	10	12	10
Council Tax	10	10	10
National Non Domestic Rates	5	5	5
Bank Reconciliations	10	8	7
Cashiers	8	8	7
Treasury Management	5	5	5
Housing Benefits	10	10	10
Miscellaneous Income	0	5	0
PAYE	0	10	0
VAT	10	0	10
Expenses (including members)	10	0	7
Fixed Assets	5	5	5
Housing Rents	10	8	8
IFRS Healthcheck	5	5	5
<i>Total core systems</i>	136	123	121

	2008/09	2009/10	2010/11
<i>Risk based assurance reviews</i>			
Legal Services	0	10	0
Human Resources	20	15	10
Regeneration	10	8	8
BCP arrangements	0	5	0
Westbridge DLO	20	15	15
Voluntary Grants	0	0	8
Void Management	0	7	7
Contract Audit (Capital Programme)	0	8	0
Partnerships	0	10	0
Procurement / VFM	10	0	10
Communications – interaction with employees	0	10	0
Freedom of Information and Data Protection – compliance with legislation	10	0	10
Citizen Engagement – consultation with, and feedback from, community	0	10	0
Concessionary Fares	10	0	8
Health & Safety	0	10	0
Housing Management	8	0	8
Home renovation grants	0	10	0
Commercial Waste (Outsourced from 08/09)	0	0	0
Museums	0	0	6
Environmental Health	5	0	8
Planning Applications	0	0	8
ICT audits	20	20	20
<i>Total operational systems reviews</i>	113	138	136

	2008/09	2009/10	2010/11
Strategic – performance assurance			
Risk Management	15	15	15
Governance	15	10	10
Performance Management and improvement	15	15	10
Total strategic – performance assurance	45	40	35
Other			
Follow up	18	15	15
NFI	12	12	12
Contingency and Fraud work	35	20	20
Audit Management	18	18	18
Total Other	83	65	65
Total	377	366	357
Annual audit days (per contract)	370	360	350

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

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