

**NORTHAMPTON BOROUGH COUNCIL**

**AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the Jeffery Room,  
Guildhall on Tuesday, 27 May 2008 at 6:00 pm.

**D Kennedy**  
**Chief Executive**

**AGENDA**

1. APOLOGIES
2. MINUTES OF THE MEETING HELD ON 26 FEBRUARY 2008 AND 30 APRIL 2008  
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  
B Brett, External Auditor (KPMG)  
(A) KPMG EXTERNAL AUDIT UPDATE  
Copy of report and appendix attached
7. INTERNAL AUDIT UPDATE  
C Dickens, Internal Auditor (PWC)  
(A) INTERNAL AUDIT ANNUAL REPORT  
Copy attached  
(B) INTERNAL AUDIT PROGRESS REPORT  
Copy of report and appendix attached  
(C) CAPITAL PROGRAMME LIST  
Copy of report and appendix attached  
(D) INTERNAL AUDIT FINAL REPORT REVIEW  
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."

## SUPPLEMENTARY AGENDA

**Exempted Under Schedule  
12A of L.Govt Act 1972  
Para No:-**

9. PRIVATE MINUTES OF THE SPECIAL  
MEETING HELD ON 30 APRIL 2008

(3)

Copy attached

**AUDIT COMMITTEE**

**Tuesday, 26 February 2008**

**PRESENT:** Councillor Perkins (Chair); Councillors Davies, Hawkins and Lill

**OBSERVER:** Councillor Mildren, Portfolio Holder for Finance.

**1. APOLOGIES**

Apologies for absence were received from Councillors B Markham and Tavener.

**2. MINUTES OF THE MEETING HELD ON 4TH DECEMBER 2007**

Minutes of the meeting were agreed and signed.

**3. DEPUTATIONS / PUBLIC ADDRESSES**

**RESOLVED:** That D Brett and M McDonagh, External Audit, (KPMG), be granted leave to address the Committee in respect of Item 6 'External Audit Update'.

**4. DECLARATIONS OF INTEREST**

There were none.

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

There were none.

**6. EXTERNAL AUDIT UPDATE**

**(A) ANNUAL AUDIT REPORT 06/07**

D Brett presented the external auditors progress report on the annual audit of the accounts for 2006/2007 and the preparation for the 2007/2008 audit.

External Audit had concluded their statutory responsibility for the year with the issue of their final unqualified opinion, audit certificate and use of resources conclusion on 18<sup>th</sup> December 2007.

They had identified a number of performance improvements and looking forward NBC was heading in the right direction. NBC faced another challenging year in 2007/2008. It was noted that the audit plan for 2007/08 had been agreed and some of the key issues identified had already been addressed.

The findings of Accounts and Statement of Internal Control were outlined in Section 2 of the Annual External Audit Report 2006/07. It was noted that NBC needed to address weaknesses in the systems and processes of grant claims due to errors reflected in the Housing and Council Tax Benefit subsidy claim.

It was noted that electors of NBC could raise questions and queries with auditors, which

required investigation of the issue raised. They had received a number of questions and queries during 2006/07, all of which had been resolved.

Section 3 of the Annual External Audit Report 2006/07 outlined their conclusion on the Use of Resources. The Committee noted that NBC had produced a comprehensive self-assessment with supporting evidence for the External Audit's assessment post 31 March 2007. The previously identified areas that needed improvement had been recognised and NBC had implemented remedial action since 1 April 2007. Their recommendations therefore focused on the key issues.

The Use of Resources assessment was based around five Key Lines of Enquiries (KLOEs). It was noted that the improvements required for the five KLOEs were achievable.

Financial Standing of NBC showed an improvement in the score with no real concerns. The Council's Internal Control showed some improvement, however it was noted that the scoring for this was hard to achieve by authorities across the country. The key was to recognise what needed to be done. The Value for Money aspect of NBC showed an overall improvement however there was a mix of high and low expenditure and performance across and within services and operations.

M McDonagh, External Audit (KPMG), added that it was fair to say that scoring was still low in comparison to other authorities, and NBC had a long way to go. However having spoken to officers the attitude and the drive for improvement was very impressive, which was key for progression.

D Brett, External Audit (KPMG) wished to acknowledge and thank officers and Members for their continuing help and co-operation throughout KPMG's audit work.

The Committee shared the compliment and thanked the officers, adding that there had been a number of changes in the finance section, and the new team had only been in place since 9 months. Over this short period the section had put in great efforts and made significant improvements.

I Procter, Director for Finance reported that they now had a robust system in place for Use of Resources. They had drawn up an action plan for 2008/09 audit inspection. The action plan was Council wide, as Use of Resources related to all service areas. The action plan would be set against staff appraisals and Finance had already incorporated it into their appraisals.

**RESOLVED: That the report be accepted.**

## **(B) FORWARD LOOK**

D. Brett, External Audit (KPMG) presented their progress report. The Committee noted that the work on 2006/07 audit had now been completed. The annual Audit and Inspection Letter would be issued by 31 March 2008.

They would commence their planning process for 2007/08 audit. They had met with key officers and carried out a short workshop to the finance staff that would be involved in the process. They would be working closely with NBC on the process for final accounts audit and the 2008 Use of Resources assessment. They had scheduled site visit for April to perform systems and controls assessments as part of their 2007/08 audit process.

Currently they were working on the 2008/09 Annual Audit Inspection Plan and the draft would be submitted to the Relationship Manager (M Perry) by 31 March 2008.

**RESOLVED: That the update be noted.**

## **7. INTERNAL AUDIT UPDATE**

### **(A) AUDIT PROGRESS REPORT**

C Dickens, Internal Audit (PwC) presented the progress report. Their review reports to date included a total of 134 recommendations of which 48 related to this reporting period. It was noted that the Housing Benefits report had now been finalised.

Key risks identified related to Creditors, Payroll and Housing Benefits. In relation to Creditors they found that the officers they consulted were not aware of the Council's procurement policy. In relation to Payroll they found that the authorised signatories list did not refer to BACS payments or include officers who were authorising overtime forms. There were issues with overtime claim sheets and submission of expense claims in connection with the authorisation process. They found issues around access to information by HR admin and payroll teams. In relation to Housing Benefits the reconciliation process was an issue and the level of debt had increased over the year.

In relation to Team Central, it was noted that the recommendations for 2005/06 and 2006/07 had been transferred to the system and that 20 responsible officers had been asked to comment on the recommendations. They were in the process of establishing the type of reporting suitable for Management and Committee, after which regular reports would be provided to Management and the Committee.

It was noted that they were due to send reminder messages to responsible officers in relation to the outstanding recommendations.

I Procter, Director for Finance reported that they had commissioned audits, which they felt were necessary. Until recently a number of recommendations had not been delivered adequately.

Councillor Perkins commented that the Committee had looked into a number of issues on numerous occasions, and suggested that these should form part of the appraisal process.

I Procter reported that the Council was now running a Quarterly Corporate Performance Review, and they would be including the delivery of audit services on their agenda. She added that she had undertaken the task of reviewing each audit recommendation. She suggested that a way forward would be for the Chief Executive to consider the delivery of audit target recommendations, which would then filter down to individuals as part of their appraisals.

**RECOMMENDED: That the Chief Executive consider the delivery of the audit target recommendations.**

### **(B) DRAFT PLAN 2008/09**

C Dickens, Internal Audit (PwC) presented the Draft Operational Plan for 2008/09 and Strategic Plan 2009/10 to 2010/2011.

It was noted that Core systems assurance remained a fundamental requirement at this stage of the improvement plan due to continued changes. As the risk management processes developed and internal control strengthened, the proportion of the time spent on fundamental assurance would reduce and they would concentrate more on business performance improvements.

It was noted that the risk assessment process and proposed Internal Audit plan was a result of reviewing the Council's strategic and departmental risk registers, discussions with key stakeholders, review of relevant documentation and reports, and the Internal Audit work undertaken on 2006/07.

The report outlined the proposed number of days for 2008/09. He added that the plan needed to be flexible, as changes in risks and circumstances during the year would require re-prioritising the current days allocated to each task. Any such changes would be brought to the Committee's attention.

It was noted that once the risk assessment and internal audit plan had been approved 'project sponsors' for each review would be identified and contacted about the anticipated audits. Detail scope of work and timing of each review would be agreed. A detailed operational plan for 2008/09 would be issued. Terms of Reference for each review would be drafted. The expected completion date for this was end of March 2008.

It was noted that the proposed 3 year internal audit plan was at this stage indicative.

I Procter, Director for Finance reported that every fundamental review that was carried out would include the 'Value for Money' aspect. Their focus on fundamental assurances would help the Council understand the situation better and it would ensure that with the fast paced improvements the Council was making, the basics were not forgotten. She added that they had programmed additional 35 days as contingency for special reviews.

It was agreed that due to the report being tabled at the meeting, should any Member's who wished to make comments or ask questions could do so via G Chambers, Head of Finance.

The Committee requested whether they could have reports on the Westbridge and Debtors issues, as these had been outstanding. I Procter, Director for Finance commented that at this stage it might not be suitable, as she believed these would be linked with the NBC's Management Restructure. She added that G Chambers, Head of Finance had drafted what they believe the standards for the Committee should be for 2008/09. After their training on 29<sup>th</sup> February 2008, the Committee would be asked to think about the areas they would like to focus on for the coming year.

The Committee requested whether T Hall, Corporate Manager for Community Safety, Leisure & Town Centre Operations could be invited to the next meeting in relation to the Balloon Festival issue.

**ACTION: T Hall, Corporate Manager for Community Safety, Leisure & Town Centre Operations be invited to the next meeting in relation to the Balloon Festival issue.**

**RESOLVED: That the Internal Audit Risk Assessment and Plans be approved subject to any subsequent comments that might be made by the Members.**

## **8. EXCLUSION OF PUBLIC AND PRESS**

There were none.

The meeting concluded at 19:10

## **NORTHAMPTON BOROUGH COUNCIL**

### **AUDIT COMMITTEE**

**Wednesday, 30 April 2008**

**PRESENT:** Councillor Perkins (Chair); Councillor Markham (Deputy Chair); Councillors Hawkins, Lill, Scott and Tavener

#### **1. APOLOGIES**

There were none.

#### **2. DEPUTATIONS / PUBLIC ADDRESSES**

There were none.

#### **3. DECLARATIONS OF INTEREST**

Councillor Hawkins declared a non-prejudicial and non-personal interest as a member of the Portfolio Support Team on the Balloon Festival.

#### **4. EXCLUSION OF PUBLIC AND PRESS**

The Chair moved that the Public and Press be excluded from the remainder of the meeting on the grounds that there was 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.

The Motion was Carried.

#### **5. BALLOON FESTIVAL PROCESS UPDATE**

The Corporate Manager for Community Safety, Leisure & Town Centre Operations presented the report showing the financial risks involved with the Balloon Festival 2008. The Committee then had a discussion on risks connected to the 2008 festival. The Committee noted that the proper financial controls had been put in place to monitor the risks involved with this festival.

**RESOLVED:** That the report be noted.

The meeting concluded at 7:45 pm

Appendices:  
One

Item No.  
6A

## AUDIT COMMITTEE

**AGENDA STATUS: PUBLIC**

<b>Report Title</b>	<b>KPMG External Audit Update</b>
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<b>Date of Meeting:</b>	27 May 2008
<b>Directorate:</b>	Finance
<b>Ward(s)</b>	N/A

### 1. Summary

Please see report attached.

### 2. Recommendations

Please see report attached.

### 3. Report Background

Please see report attached.

### 4. Implications (including financial implications)

4.1 Resources and Risk

N/A

4.2 Legal

N/A

4.3 Other Implications

N/A

### 5. Background Papers

None

**Report Author and Title:** KPMG LLP

**Telephone and Email:**



## **1 Audit of accounts, 2007/08**

We have recently completed our interim audit visit. This is the phase of the audit where we review the controls that are in place, relying on the work of Internal Audit where possible.

We are currently drafting our Interim Report which will set out our findings in more detail. In summary:

- the Authority has made progress in improving controls since our last review, though some weaknesses remain;
- in particular, bank reconciliations were not performed for all accounts during the year, and the year end reconciliations for some accounts were still being completed at the time of our work; and
- officers have made some progress with the preparatory work needed for the changes in accounting standards (the SORP) which take effect this year, though, in most cases, the year end adjustments were still in progress at the time of our work, so we have not formed a definitive view as to the adequacy and appropriateness of the Authority's approach.

We are continuing our dialogue with officers on emerging issues in the accounts production process to help ensure a smooth audit later in the year.

## **2 Planning future audit work**

We have recently drafted the audit elements of the Audit Commission's Annual Audit and Inspection Plan for 2008/09; this is (at the time of writing) with the Authority's Comprehensive Area Assessment Lead (CAAL), Nigel Toms, and will shortly be issued as a combined plan covering all audit and inspection work to take place at the Authority.

The audit elements of the Plan comprise the work mandated by the Audit Commission (audit of accounts, Use of Resources scored judgement and Data Quality audit) and any additional work which we believe we need to undertake in order to give our opinion on the Authority's accounts and conclusion on its use of resources. The risks that we have identified are:

- Single Status;
- Management restructuring;
- Westbridge depot;
- Disposal of trade waste service;
- Financial reporting processes;
- International Financial Reporting Standards; and
- Changes in the 2008 SORP.

The Data Quality and Use of Resources assessments completed in 2008 form part of this Plan. We have already commenced discussions with officers to plan this work and will update the Committee on progress in future meetings.

Appendices  
One



Item No.  
7A

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	Internal audit annual report
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	27 May 2008
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Governance and Improvement
<b>Accountable Cabinet Member:</b>	Malcolm Mildren

### 1. Purpose

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1.1 To present our annual internal audit report summarising the findings of our audit work for 2007/08 and providing our annual assurance opinion.

### 2. Recommendations

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2.1 Approve the report

### 3. Issues and Choices

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#### 3.1 Report Background

3.1.1 The Government Internal Audit Standards ("GIAS") and the Code of Practice for Internal Audit in Local Government in the UK 2006 require the Head of Internal Audit to provide a written report to those charged with governance timed to inform the organisation's annual Statement on Internal Control. As such, the purpose of this report is to present our annual opinion of the adequacy and effectiveness of the Council's system of internal control. This report is based upon the work agreed in the annual internal audit plan and conducted during the year.

#### 3.2 Issues

3.2.1 N/a

### **3.3 Choices (Options)**

3.3.1 N/a

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 'Significant Internal Control Issues' should be considered for inclusion in the Annual Governance Statement.

### **4.2 Resources and Risk**

4.2.1 None

### **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**

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5.1 N/a

**Chris Dickens**  
**Senior Manager**  
**PricewaterhouseCoopers LLP**  
**01509 604041**

# Northampton Borough Council

## Internal Audit Annual Report

### Distribution List

s151 Officer  
Chief Executive  
Corporate Directors  
Audit Committee  
Leader of the Council

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# 1 Background and scope

## **Background to this report**

The Government Internal Audit Standards (“GIAS”) and the Code of Practice for Internal Audit in Local Government in the UK 2006 require the Head of Internal Audit to provide a written report to those charged with governance timed to inform the organisation’s annual Statement on Internal Control. As such, the purpose of this report is to present our annual opinion of the adequacy and effectiveness of the Council’s system of internal control. This report is based upon the work agreed in the annual internal audit plan and conducted during the year.

Whilst our report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit was agreed with the Audit Committee at the beginning of the year and presented in our annual internal audit plan (and subsequent agreed amendments). As such, our opinion does not supplant responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities

This report covers the period from 1 April 2007 to 31 March 2008

## **Acknowledgements**

We are grateful for the assistance that was provided to us by Northampton Borough Council staff in the course of our work.

# 2 Our annual opinion

## Introduction

Under the terms of our engagement we are required to provide those charged with governance with an opinion on the overall **adequacy and effectiveness** of the Council's:

- risk management
- control and;
- governance processes.

Collectively we refer to all of these activities in this report as "**the system of internal control**".

Our opinion is based on the audit work performed as set out in the 2007/08 internal audit plan agreed by the Audit Committee on 27 February 2007 and subsequently agreed amendments. Our opinion is subject to the inherent limitations set out in the Limitations and Responsibilities section of this report.

## Annual opinion on internal controls

It is management's responsibility to develop and maintain a sound system of internal control, and to prevent and detect irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We have planned our work so that we had a reasonable expectation of detecting significant control weaknesses. However, internal audit procedures alone, although they are carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

We have completed the program of internal audit work for the year ended 31 March 2008 (taking account of agreed amendments to the plan) and we can report that our work did not identify any significant control weaknesses that we consider to be pervasive in their effect on the system of internal control.

Our work in relation to risk management and governance has been mainly supportive with training being provided in both areas to both officers and members. We look forward to controls in these key areas continuing to develop and improve during 2008/09.

However, we *have* identified significant control weaknesses that, whilst isolated to the following specific systems and processes, when taken in aggregate have a significant impact upon the system of internal control:

- Core financial systems
- Westbridge (Electrical Services Overtime and Capital Voids)

We believe that these weaknesses are '**Significant Internal Control Issues**' and should be considered for inclusion in your Annual Governance Statement.

Consequently, we can only give **limited assurance** on the design adequacy and effectiveness of the system of internal control.

### **The Council's response**

We are aware that the Council has actions planned to address the significant internal control issues we have identified.



# 3 Internal audit work conducted

## Current year's internal audit plan

Our internal audit work has been conducted in accordance with our letter of engagement, the GIAS, the Code of Practice for Internal Audit in Local Government in the UK 2006 and the agreed Annual Internal Audit plan.

The Annual Internal Audit plan was agreed with the Audit Committee on 27 February 2007. Changes to our plan were agreed by the Head of Finance and reported as part of our Internal Audit Progress reports to the Audit Committee.

## The results of individual audit assignments (and summary of key findings)

We set out below the results of our work in terms of the number and relative priority of findings.

Audit	Date Completed	Assignment assurance level	Number of findings			
			Critical	High	Medium	Low
General Ledger*	Dec 2007	Limited	0	1	8	7
Debtors*	Dec 2007	No Assurance	0	4	6	9
Creditor Payments	Dec 2007	Limited	0	1	8	3
Payroll*	Dec 2007	Limited	0	5	7	8
Budgetary Control*	Apr 2008	Moderate	0	0	0	5
Council Tax	Jul 2007	Limited	0	1	6	5
National Non Domestic Rates	Jul 2007	High	0	0	1	3
Bank Reconciliations*	Apr 2008	No Assurance	0	7	10	1
Cashiers	Sep 2007	Moderate	0	0	1	8
Treasury Management	Jul 2007	Moderate	0	0	2	5
Housing Benefits	Jan 2008	Limited (with improvement)	0	2	7	7
Fixed Assets*	Mar 2008	No Assurance	1	1	7	3
Savings & Efficiency Programme*	Mar 2008	Moderate	0	0	3	0
Legal Services (combined with Contracts review)	Not yet issued	N/a	N/a	N/a	N/a	N/a
Human Resources	Deferred	N/a	N/a	N/a	N/a	N/a
Health & Safety*	Apr 2008	Moderate	0	0	4	1
ICT Audits	Apr 2008	N/a	N/a	N/a	N/a	N/a

BCP Arrangements	Deferred	N/a	N/a	N/a	N/a	N/a
Westbridge DLO: Capital Voids	Not yet Issued	N/a	N/a	N/a	N/a	N/a
Voluntary Grants*	Oct 07	Limited	0	2	7	3
Contract Audit (See legal services above)	N/a	N/a	N/a	N/a	N/a	N/a
Void Management	Oct 07	Moderate	0	0	3	3
Risk Management	Apr 08	N/a	N/a	N/a	N/a	N/a
Governance & Management Information	Apr 08	N/a	N/a	N/a	N/a	N/a
Performance Management & Improvement Delivery	Deferred	N/a	N/a	N/a	N/a	N/a
Planning Applications	Mar 08	Moderate	0	0	6	3
Follow up of Communication and Citizen Engagement	Not yet issued					
General Follow up	Complete	N/a	N/a	N/a	N/a	N/a
NFI	Complete	N/a	N/a	N/a	N/a	N/a
Overtime & Expenses	Oct 07	N/a	N/a	N/a	N/a	N/a
Management Accounts Reporting*	Complete	N/a	N/a	N/a	N/a	N/a
Housing Rents	Apr 08	Limited	0	3	9	4
Electrical Services Overtime*	Apr 08	No Assurance	0	9	5	0
Housing Rents System Implementation	Not yet issued					

\* Denotes in draft report stage

## Results of follow-up work

We have conducted follow-up work throughout the year, either as part of our assignment reviews, as a separate review (eg Communications and Citizen Engagement) or through a follow-up audit which has looked at all other areas. In addition we have implemented TeamCentral which is an audit recommendation tracking tool that allows us to monitor progress being made against internal audit recommendations throughout the year.

We have noted that management have taken some steps to implement our recommendations, **however we still have some concerns over the number of management actions that remain outstanding.**

## Implications for next year's internal audit plan

In addition to conducting general follow-up work we will take account of those areas where we have identified 'significant control weaknesses' during 2007/08. We will also continue to allocate a large part of our audit plan to the finance function which continues to undergo considerable change in structure and personnel.

# 4 Limitations and responsibilities

## Limitations inherent to the internal auditor's work

### Internal control

Internal control, no matter how well designed and operated, can provide only **reasonable** and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### Future periods

The assessment of controls relating to Northampton Borough Council is as at 31 March 2008. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

## Responsibilities of management and of internal auditors

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

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

We have carried out sufficient procedure to confirm that we are independent from the organisation and management.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

## Basis of our assessment

In accordance with the Good Practice Guidance supporting the Government Internal Audit Standards, our assessment on risk management, control and governance is based upon the result of internal audits completed during the period in accordance with the Plan approved by the Audit Committee. We have obtained sufficient, reliable and relevant evidence to support the assertions that we make within our assessment of risk management, control and governance.

## **Limitations in our scope**

The scope of our work has not been limited in any way during the course of the year.

## **Access to this report and responsibility to third parties**

This report has been prepared solely for Northampton Borough Council in accordance with the terms and conditions set out in our contract. We do not accept or assume any liability or duty of care for any other purpose or to any other party. However, we acknowledge that this report may be made available to third parties, such as the external auditors. We accept no responsibility to any third party who may receive this report for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

# Appendix A Summary of internal audit performance

## Audit plan 2007/08

Planned activity	Planned days	Actual days
<b>1. Core Financial Systems – Fundamental assurance</b>		
▪ General Ledger	10	10
▪ Debtors	10	10
▪ Creditor Payments	12	12
▪ Payroll	10	10
▪ Budgetary Control	15	15
▪ Council Tax	10	10
▪ National Non Domestic Rates (NNDR)	3	3
▪ Bank Reconciliations	8	8
▪ Cashiers	7	7
▪ Treasury Management	5	5
▪ Housing Benefits	10	10
▪ Fixed Assets	5	5

Planned activity	Planned days	Actual days
<b>2. Operational system reviews – risk based assurance</b> <ul style="list-style-type: none"> <li>▪ Savings &amp; Efficiency Programme</li> <li>▪ Legal Services *(Combined with contract audit)</li> <li>▪ Human Resources *(Deferred)</li> <li>▪ Health &amp; Safety</li> <li>▪ ICT Audits (IT Risk Workshop &amp; work on Strategy &amp; TeamCentral)</li> <li>▪ BCP Arrangements *(Deferred)</li> <li>▪ Westbridge DLO (Capital Voids)</li> <li>▪ Voluntary Grants</li> <li>▪ Contract Audit (Combined with legal services work)</li> <li>▪ Void Management</li> </ul>	<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;">15</p> <p style="text-align: center;">10</p> <p style="text-align: center;">0</p> <p style="text-align: center;">10</p> <p style="text-align: center;">20</p> <p style="text-align: center;">2</p> <p style="text-align: center;">10</p> <p style="text-align: center;">10</p> <p style="text-align: center;">15</p> <p style="text-align: center;">10</p>

Planned activity	Planned days	Actual days
<b>3. Strategic – performance assurance</b>		
▪ Risk Management	20	20
▪ Governance & Management Information	15	15
▪ Performance management & Improvement Delivery *(Deferred)	20	5
▪ Planning Applications	10	10

Planned activity	Planned days	Actual days
<b>4. Other</b>		
▪ Specific follow up reviews:	15	15
➤ Communication		
➤ Citizen Engagement		
➤ Partnership		
▪ General follow up	8	8
▪ NFI	12	12
▪ Audit Management	20	20
<b>Total</b>	<b>380*</b>	<b>312</b>
(*planned 380 days, but 42 days re-allocated in table below)		
<b>Total including re-allocated days (see table below)</b>		<b>354</b>

Amendments to plan	Agreed days	Actual days
<ul style="list-style-type: none"> <li>▪ Work on overtime &amp; expenses</li> <li>▪ Budgetary Control (Timeliness of reporting)</li> <li>▪ Housing Rents (Time released from Legal Services and Contract Audit)</li> <li>▪ Electrical Services Overtime (additional days agreed to interview all staff involved)</li> <li>▪ Housing Rents system (ICT days)</li> </ul>	<p style="text-align: center;">2</p> <p style="text-align: center;">8</p> <p style="text-align: center;">10</p> <p style="text-align: center;">10</p> <p style="text-align: center;">10</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">8</p> <p style="text-align: center;">10</p> <p style="text-align: center;">12</p> <p style="text-align: center;">10</p>
<p><b>Total</b> <b>(Days re-allocated from original plan)</b></p>	<p><b>40</b></p>	<p><b>42</b></p>







# Appendix B Annual assurance levels and risk ratings

## Annual assurance statements

Level of Assurance	Description
High	We will provide 'high' assurance in our annual opinion where we have only identified low and medium rated risks during the course of our audit work on business critical systems.
Moderate	We will provide 'moderate' assurance in our annual opinion where we have identified mostly low and medium rated risks during the course of our audit work on business critical systems, but there have been some isolated high risk recommendations and / or the number of medium rated risks is significant in aggregate. The level of our assurance will therefore be moderated by these risks and we cannot provide a high level of assurance.
Limited	We will provide 'limited' assurance in our annual opinion where we have identified high or critical rated risks during our audit work on business critical systems, but these risks are not pervasive to the system of internal control <u>and</u> there are identifiable and discrete elements of the system of internal control which are adequately designed and operating effectively. Our assurance will therefore be limited to these elements of the system of internal control.
No	We will provide 'no' assurance in our annual opinion where we have identified critical rated risks during the course of our audit work on business critical systems that are pervasive to the system of internal control or where we have identified a number of high rated risks that are significant to the system of internal control in aggregate.

## Definition of risk ratings within our individual audit assignments

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon not only the system, function or process objectives, but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> <li>• the efficient and effective use of resources</li> <li>• the safeguarding of assets</li> <li>• the preparation of reliable financial and operational information</li> <li>• compliance with laws and regulations.</li> </ul>
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisational objectives.
 Medium	Control weakness that has a low impact on the achievement of the key system, function or process objectives; or This weakness has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

*In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.*

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Appendices  
One



Item No.  
7B

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	Internal audit progress report
---------------------	--------------------------------

**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	27 May 2008
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Governance and Improvement
<b>Accountable Cabinet Member:</b>	Malcolm Mildren

### 1. Purpose

---

1.1 To provide the Audit Committee with a report summarising progress made against the approved internal audit plan.

### 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. The report will be supported by our annual internal audit report.

##### 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 all fieldwork. Reports have been issued in both draft and final form and details are provided in section 2.

We have also commenced the 2008/09 audit plan.

### 3.1.3 Reporting and activity progress

#### Final reports issued

**07/08 NBC 08 Creditors** – The level of assurance given relates to the Creditors System as a whole, including the main finance system of Agresso and the Uniclass system in operation at the Westbridge depot. It is important to note that the control weaknesses identified with Uniclass and level of non-compliance at the Westbridge depot are a significant factor in the level of assurance given. **Limited level of assurance** has been given.

**07/08 NBC 11 Housing benefits** – As with the previous year, we have given a **Limited level of assurance** although we have recognised that there have been some improvements.

#### 1.1. Draft reports

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

**07/08 NBC 10 Payroll**

**07/08 NBC 12 Bank reconciliations**

**07/08 NBC 13 Planning applications**

**07/08 NBC 14 Electrical services overtime**

**07/08 NBC 15 Fixed assets**

**07/08 NBC 16 Housing rents**

**07/08 NBC 17 Savings and efficiency programme**

**07/08 NBC 18 Health and Safety**

**07/08 NBC 19 Budgetary control**

**07/08 NBC 20 Management accounts reporting process**

#### 1.2. Fieldwork completed

Work has now been completed for all remaining internal audit reviews with draft reports about to be issued.

**07/08 NBC 21 Housing system implementation**

**07/08 NBC 22 Capital voids**

**07/08 NBC 23 Contracts and legal services**

**07/08 NBC 24 Communications and citizens engagement follow-up**

#### Other work performed

**Internal Audit annual report 2007/08** – The draft annual report is to be presented at this meeting.

**Internal audit programme 2008/09** – Work has now commenced on the 08/09 programme with a review of the corporate risk register. We had planned to have a launch of the Plan at the Corporate Briefing on 27 April but this was cancelled. As such the plan is now being launched on 27 May Corporate Briefing at which we will highlight timings of reviews and who will be undertaking them.

#### 3.1.4 Other issues

##### **TeamCentral – recommendation tracking**

All prior year issues and 07/08 final reports are now loaded onto this. Formal Training is to be given to Corporate Managers at the next Corporate Briefing on the 28 May. Some 1-1 training has been provided already as well as providing support with general problems. We have also despatched chasing emails in January, March and May. Where possible we have also closed recommendations that have been implemented or are no longer applicable. We have also produced a summary report using data held on TeamCentral that allocates responsibility to Corporate Managers by specific review. This is now being used as part of the Quality Review meetings.

In view of the additional training that is required, the presentation of a TeamCentral report to the Audit Committee will be deferred to the next meeting

##### **Internal audit self-assessment**

We have agreed with management that we will conduct our annual self-assessment exercise during June 2008 and report back to the next audit committee meeting.

### **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.

### **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
- Appendix 3 – Draft Internal Audit annual report 2008/09

5.2 Individual internal audit reports are available if required.

**Chris Dickens**  
**Senior Manager**  
**PricewaterhouseCoopers LLP**  
**01509 604041**

# Appendix One

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



Planned activity	Planned days	Actual days	Status
<b>2. Operational system reviews – risk based assurance</b>			
▪ Savings & Efficiency Programme	15	15	Draft Report
▪ Legal Services (Combined with contract audit)	15	10	Fieldwork Complete
▪ Human Resources	20	0	Deferred to 2008/09 at request of Management
▪ Health & Safety	10	10	Draft Report
▪ ICT Audits (IT Risk Workshop & work on Strategy & TeamCentral)	30	20	Delivered
▪ BCP Arrangements	10	2	Deferred at request of Management
▪ Westbridge DLO	15	10	Capital Voids – fieldwork complete
▪ Voluntary Grants	10	10	Draft Report
▪ Contract Audit (Combined with legal services work)	20	15	Fieldwork Complete
▪ Void Management	10	10	Final report

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

Planned activity	Planned days	Actual days	Status
<b>4. Other</b> <ul style="list-style-type: none"> <li>▪ Specific follow up reviews: <ul style="list-style-type: none"> <li>➤ Communication</li> <li>➤ Citizen Engagement</li> <li>➤ Partnership</li> </ul> </li> <li>▪ General follow up</li> <li>▪ NFI</li> <li>▪ Audit Management</li> </ul>	<p style="text-align: center;">15</p>     <p style="text-align: center;">8</p> <p style="text-align: center;">12</p> <p style="text-align: center;">20</p>	<p style="text-align: center;">15</p>     <p style="text-align: center;">8</p> <p style="text-align: center;">12</p> <p style="text-align: center;">20</p>	<p style="text-align: center;">Fieldwork complete</p>     <p style="text-align: center;">Ongoing - TeamCentral</p> <p style="text-align: center;">Complete</p> <p style="text-align: center;">Complete</p>
<b>Total</b>	<b>380</b>	<b>354</b>	Also see amendments to plan
<b>Work deferred to 2008/08</b> <ul style="list-style-type: none"> <li>▪ Human Resources</li> <li>▪ Performance management &amp; Improvement Delivery</li> <li>▪ BCP arrangements</li> </ul>		<p style="text-align: center;">20</p> <p style="text-align: center;">15</p> <p style="text-align: center;">8</p>	

Amendments to plan	Agreed days	Actual days	Status
Days either re-allocated from within plan or released due to operational efficiencies. <ul style="list-style-type: none"> <li>▪ Work on overtime &amp; expenses</li> <li>▪ Budgetary Control (Timeliness of reporting)</li> <li>▪ Housing Rents (Time released from Legal Services and Contract Audit)</li> <li>▪ Electrical Services Overtime (additional days agreed to interview all staff involved)</li> <li>▪ Housing Rents system (ICT days)</li> </ul>	2 8 10 10 10	2 8 10 12 10	Completed Draft Report Draft Report Draft Report Fieldwork Complete
<b>Total</b>	<b>40</b>	<b>42</b>	

# 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)
07/08 NBC 12 Bank Reconciliations*	0	7	10	1	18	No Assurance*
07/08 NBC 13 Planning Applications*	0	0	6	3	9	Moderate*
07/08 NBC 14 Electrical Services Overtime*	0	9	5	0	14	No Assurance*
07/08 NBC 15 Fixed Assets*	1	1	7	3	12	No Assurance*
07/08 NBC 16 Housing Rents*	0	3	9	4	16	Limited*
07/08 NBC 17 Savings & Efficiency*	0	0	3	0	3	Moderate*
07/08 NBC 18 Health & Safety*	0	0	4	1	5	Moderate*
07/08 NBC 19 Budgetary Control*	0	0	0	5	5	Moderate*
07/08 NBC 20 Management Accounts Reporting	N/a	N/a	N/a	N/a	N/a	N/a

Process*						
07/08 NBC 21 Housing System Implementation						
07/08 NBC 22 Capital Voids						
07/08 NBC 23 Contracts and Legal Services						
07/08 NBC 24 Communications and Citizen Engagement – follow up						
<b>Total</b>	<b>1</b>	<b>36</b>	<b>100</b>	<b>79</b>	<b>216</b>	

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

Appendices  
One



Item No.  
7C

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Capital Programme scheme review</b>
---------------------	----------------------------------------

**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	27 May 2008
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Governance and Improvement
<b>Accountable Cabinet Member:</b>	Malcolm Mildren

### 1. Purpose

---

1.1 To provide the Audit Committee with the approved capital programme for 2008/09 to consider if the committee wishes to review the internal control and risk management arrangements of a specific scheme.

### 2. Recommendations

---

2.1 To review the capital programme and if appropriate, invite a report and/or the capital scheme manager to attend a future Audit Committee, to cover the internal control and risk management arrangements.

### 3. Issues and Choices

---

#### 3.1 Report Background

##### 3.1.1 Introduction

The Audit Committee recently received a report on the Balloon Festival. This report was presented at the special Audit Committee meeting of 30<sup>th</sup> April 2008. As a revenue scheme had been reviewed, it was also suggested that the Audit Committee could review a capital scheme. The capital programme is therefore attached at Appendix 1, for the Audit Committee to consider if it does wish to review the internal control and risk management arrangements in place for a specific scheme.

## **3.2 Issues**

3.2.1 N/a

## **3.3 Choices (Options)**

3.3.1 N/a

## **4. Implications (including financial implications)**

---

### **4.1 Policy**

4.1.1 N/a

### **4.2 Resources and Risk**

4.2.1 Risks may be highlighted with mitigating actions as part of the review.

### **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 Chair of the Audit Committee

### **4.6 Other Implications**

4.6.1 N/a

## **5. Background Papers**

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5.1 Cabinet and Council reports for the setting the capital programme, February 2008

**Gavin Chambers**  
**Head of Finance and Assets**



## Capital Programme 2008-09 to 2012-13

For the Audit Committee to review and decide if they wish for a project manager to update the committee on the scheme management in terms of controls and risks.

Appraisal Ref	Scheme Title	Revenue Implications (2008-09 starts only)	Scheme Total (All Years)	2008-09	2009-10	2010-11	2011-12	2012-13
				Prior Years	Scheme Total	Scheme Total	Scheme Total	Scheme Total
				£	£	£	£	£
<b>Capital Programme - General Fund</b>								
<b>Continuations from 2007-08</b>								
2007-08/GI0005	Core Financials inc 5.5 & AR		600,000	200,000	400,000			
<b>2008-09 New Starts</b>								
2008-09/GF 026	Relocation of Call Care		60,000		60,000			
2008-09/GF 036B	Carbon Management Programme Part (1) 1 - PowerPerfector - Voltage Optimisation Technology employed across nine corporate buildings	Yes	124,886		124,886			
2008-09/GF 036B	Carbon Management Programme Part (1) 2 - St John's Lighting - Energy efficient (forneon high frequency) lighting upgrades at St John's MSCP	Yes	31,608		31,608			
2008-09/GF 036B	Carbon Management Programme Part (1) 3 - Loft and Cavity Wall insulation - upgrades to thermal efficiency of Lings Forum Leisure Centre & Weston Favell District Office	Yes	10,392		10,392			
2008-09/GF 036B	Carbon Management Programme Part (1) 4 - Pipework Insulation - thermal insulation of exposed pipework across NBC's boiler rooms	Yes	5,000		5,000			
2008-09/GF 036B	Carbon Management Programme Part (1) 5 - Time Clocks - installation of time clocks to automate switch off onto NBC's suitable high energy demand appliances	Yes	1,370		1,370			
2008-09/GF 040	Disabled Facilities Grants (Private Sector)		1,700,000		1,300,000	400,000		
2008-09/GF 042	Government Office of East Midlands (G.O.E.M.) Projects. Provision of Decent Homes		700,000		700,000			
2008-09/GF 043	E-Benefits Application	Yes	80,000		80,000			
2008-09/GF 044	Upgrade of NBC Website		15,000		15,000			
2008-09/GF 047	IT Network Replacement Programme		416,700		282,500	134,200		
2008-09/GF 045B	Carbon Management Programme Part (2) 1 - Energy Monitoring & Targeting Software	Yes	2,080		2,080			
2008-09/GF 045B	Carbon Management Programme Part (2) 2 - Chevin Fleet Management Software Package (for Fleet Manager)	Yes	9,540		9,540			
2008-09/GF 045B	Carbon Management Programme Part (2) 3 - Thermostatic Radiator Valves		2,500		2,500			
2008-09/GF 045B	Carbon Management Programme Part (2) 4 - Steam Control Valve (for Mounts Baths Hot Room)	Yes	2,000		2,000			
2008-09/GF 045B	Carbon Management Programme Part (2) 5 - Variable Speed Drive (Lings Forum)	Yes	2,500		2,500			
2008-09/GF 045B	Carbon Management Programme Part (2) 6 - Building Energy Management System (Guildhall)	Yes	8,000		8,000			
2008-09/GF 051	2008/09 Capitalisation Directive		750,000		750,000			

**Capital Programme 2008-09 to 2012-13**

For the Audit Committee to review and decide if they wish for a project manager to update the committee on the scheme management in terms of controls and risks.

Appraisal Ref	Scheme Title	Revenue Implications (2008-09 starts only)	Scheme Total (All Years)	2008-09	2009-10	2010-11	2011-12	2012-13
				Prior Years	Scheme Total	Scheme Total	Scheme Total	Scheme Total
			£	£	£	£	£	£
<b>Capital Programme - General Fund</b>								
<b>Earmarked Amounts</b>								
	Parks & Open Spaces - Enhancements & Essential Works		200,000	200,000				
	Leisure Centres - Enhancements & Essential Works		200,000	200,000				
	Corporate Properties - Essential Works		200,000	200,000				
<b>Total 2008-09 Continuations, New Starts, &amp; Earmarked Amounts - General Fund</b>			<b>5,121,576</b>	<b>200,000</b>	<b>4,387,376</b>	<b>534,200</b>	<b>0</b>	<b>0</b>

## Capital Programme 2008-09 to 2012-13

For the Audit Committee to review and decide if they wish for a project manager to update the committee on the scheme management in terms of controls and risks.

Appraisal Ref	Scheme Title	Revenue Implications (2008-09 starts only)	Scheme Total (All Years)	2008-09	2009-10	2010-11	2011-12	2012-13	
				Prior Years	Scheme Total	Scheme Total	Scheme Total	Scheme Total	Scheme Total
				£	£	£	£	£	£
<b>Capital Programme - HRA</b>									
<b>2008-09 New Starts</b>									
2008-09/HRA 001	Asbestos Remedial Action		60,000	60,000					
2008-09/HRA 002	Decent Homes and Poor Condition Improvement Contract 2008-2011		21,240,000	7,080,000	7,080,000	7,080,000			
2008-09/HRA 003	External Envelope Works for Decency and Poor Condition 2008-2011		2,508,000	836,000	836,000	836,000			
2008-09/HRA 004	Heating Replacement 2008-2011		6,000,000	2,000,000	2,000,000	2,000,000			
2008-09/HRA 005	Lifts and Door Entry Refurbishment		500,000	500,000					
2008-09/HRA 006	Minor Adaptations for People with disabilities		130,000	130,000					
2008-09/HRA 007	Re-roofing for Decent homes and Poor Condition 2008-2011		6,030,000	2,010,000	2,010,000	2,010,000			
2008-09/HRA 008	Structural Repairs		200,000	200,000					
2008-09/HRA 009	Capital Voids 2008-2011		2,100,000	700,000	700,000	700,000			
2008-09/HRA 010	Disabled Adaptations (Council Stock)	Yes	1,100,000	800,000	300,000				
2008-09/HRA 011	Environmental Enhancements to housing land		300,000	300,000					
<b>Total 2008-09 Continuations, New Starts, &amp; Earmarked Amounts - HRA</b>			<b>40,168,000</b>	<b>0</b>	<b>14,616,000</b>	<b>12,926,000</b>	<b>12,626,000</b>	<b>0</b>	<b>0</b>

Appendices  
Two



Item No.  
7D

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	2007/08 Final Internal Audit reports
---------------------	--------------------------------------

**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	27 May 2008
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Governance and Improvement
<b>Accountable Cabinet Member:</b>	Malcolm Mildren

### 1. Purpose

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1.1 To provide the Audit Committee with the opportunity to review final audit reports from the 2007/08 audit plan at a committee meeting.

### 2. Recommendations

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2.1 To review a final audit report and comment as necessary.

### 3. Issues and Choices

---

#### 3.1 Report Background

##### 3.1.1 Introduction

The 2007/08 audit plan was approved at the Audit Committee in February 2007. At this present time, not all internal audit reports from the plan have been issued as final. The full listing of planned audits and the stage of reporting progress are detailed in the Annual Audit Report, agenda item 2 of this committee meeting.

Please find two final internal audit reports attached for information and review. These are the final reports on Council Tax and Non Domestic Rates (NNDR).

Please note that all final audit reports, unless confidential, are accessible for the committee to review.

## **3.2 Issues**

3.2.1 N/a

## **3.3 Choices (Options)**

3.3.1 N/a

## **4. Implications (including financial implications)**

---

### **4.1 Policy**

4.1.1 N/a

### **4.2 Resources and Risk**

4.2.1 Risks may be highlighted with mitigating actions as part of the review.

### **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 Chair of the Audit Committee

### **4.6 Other Implications**

4.6.1 N/a

## **5. Background Papers**

---

5.1 Audit Committee setting the 2007/08 audit plan February 2007, Final audit reports , Annual Audit Report.

**Gavin Chambers**  
**Head of Finance and Assets**

# Northampton Borough Council Internal Audit Report 2007-08 NNDR

*Report No. 07\_08 NBC 01 – Final Report*



Assurance rating this review	High assurance
Assurance rating previous review	High assurance

## Distribution List

Fran Rodgers – Corporate Manager  
Ian Tyrer – Revenue & Benefits Manager  
Isabell Procter – Corporate Director, Finance  
Gavin Chambers – Head of Finance  
David Taylor – Corporate Director  
Clive Thomas – Corporate Director

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## Timetable

Action	Planned date	Actual date
Agreement of terms of reference	June 2007	June 2007
Fieldwork start	July 2007	July 2007
Fieldwork complete	July 2007	July 2007
Draft report to client	August 2007	August 2007
Response by client	August 2007	August 2007
Final report	September 2007	September 2007

# Background and scope

## Introduction

The NNDR review was undertaken as part of the 2007/08 Internal Audit plan agreed by the Audit Committee.

This report has been prepared solely for Northampton Borough Council in accordance with the terms and conditions set out in our contract dated 1<sup>st</sup> January 2007. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

## Background

Northampton Borough Council is in partnership with the Borough Council of Wellingborough for the provision of its business rates service. This partnership is run under the name Consortium Business Rates (CBR). As such the majority of transaction processing for National Non Domestic Rates (NNDR) is undertaken by staff based out at Wellingborough. The partnership was entered into in August 2003 by the two authorities as a means of amalgamating the administrative, billing and collection processes involved in NNDR. Whilst a number of processes operated by the partnership are generic for both authorities, our field work purely focussed on Northampton Borough Council. A project board is also in place that oversees the partnership arrangements with key members of staff from both authorities represented on this.

## Approach and scope

### Approach

In agreement with the Revenues and Benefits Manager, we agreed that our work would focus on the following areas:

- Identification and valuation of properties
- Relief's and exceptions are appropriately calculated and applied
- Billing & collection
- Recovery and enforcement
- Accounting for NNDR
- Compliance with legislation

Our work is designed to comply with the Government Internal Audit Standards [GIAS] and the CIPFA Code.



## Scope

In accordance with our Terms of Reference (Appendix 1), agreed with the Revenues and Benefits Manager, we undertook a limited scope audit of NNDR system.

This limited scope audit involved a review of the design of the controls across the whole process together with detailed testing to determine whether the controls are operating in practice.

## Limitations of scope

The scope of our work was limited to those areas identified in the terms of reference.

## Staff involved in this review

We would like to thank all client staff involved in this review for their co-operation and assistance.





Name of client staff
Ian Tyrer – Revenues & Benefits Manager
Richard Watson – Consortium Business Rates Manager
Steve Marks – Technical Accountant
Tracey Howarth – Accounts Payable Supervisor
Sarah Tyrer – Systems Team

# Our opinion and assurance statement

## Introduction

This report summarises the findings of our review of National Non Domestic Rates (NNDR).

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the <b>authority's objectives</b> in relation to: <ul style="list-style-type: none"> <li>• the efficient and effective use of resources</li> <li>• the safeguarding of assets</li> <li>• the preparation of reliable financial and operational information</li> <li>• compliance with laws and regulations.</li> </ul>
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key <b>system, function or process</b> objectives.  This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall authority objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> <li>• has a low impact on the achievement of the key system, function or process objectives;</li> <li>• has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
 Low	Control weakness that does not impact upon the achievement of key <b>system, function or process</b> objectives; however implementation of the recommendation would improve overall control.

## Summary of Findings

Our detailed findings and recommendations are set out in the findings and recommendations section of this report. The table below summarises the number of findings raised and the priority rating assigned.

Risk Rating	Number of findings
Critical	0
High	0
Medium	1
Low	3
<b>Total</b>	<b>4</b>

## Opinion

We are required to provide an opinion on the adequacy and effectiveness of internal control in relation to the area under review. Our opinion is based on the work performed as set out in the agreed terms of reference and is subject to the inherent limitations set out in the limitations and responsibilities section of this report. We also provide an assurance statement for the area under review.

### Design of the controls under review

We identified one weakness in the design of controls in relation to the NNDR system, which has been assessed as low risk. In our opinion, this weakness is not likely to have a significant impact on the achievement of the key objectives of the NNDR system.

### Operation of the controls under review

We identified three instances where the controls were not operating as designed in practice at the time of our audit, all of which have been assessed as medium or low risk. Based upon the sample testing we performed, in our opinion these weaknesses are not likely to have a significant impact on the achievement of the key objectives of the NNDR system.

### Value for Money

During our review we did not identify any specific value for money issues.

## Assurance statement

### High Assurance

Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the NNDR system.

**Follow-up**

The table below summarises the recommendations made during our 2006/07 review of the NNDR system and their current status.

<b>Risk Rating</b>	<b>Number of findings</b>	<b>Implemented or no longer relevant</b>	<b>Outstanding or partially implemented</b>
Critical	0	N/a	N/a
High	0	N/a	N/a
Medium	2	1	1
Low	5	3	2
<b>Total</b>	<b>7</b>	<b>4</b>	<b>3</b>

Where issues have been identified as outstanding these have been raised once again in the main body of the report and a revised management response requested.

A follow-up review of all the agreed actions should be undertaken as part of the 2008/09 internal audit plan.

**Detailed findings and recommendations**

Our detailed findings and recommendations are set out in the findings and recommendations section of this report. Management responses are included which identify actions to be taken, responsibility and timeframe.

# Limitations and responsibilities

## Limitations inherent to the internal auditor's work

We have undertaken the review of National Non Domestic Rates (NNDR), subject to the following limitations.

### Internal control

Internal control, no matter how well designed and operated, can provide only **reasonable** and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### Future periods

The assessment of controls relating to the NNDR system is that historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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


## Responsibilities of management and internal auditors


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


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

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.


# Findings and recommendations

Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
<b>1. Control Design – Review of suspended accounts</b>					
The checking of suspended accounts cannot be evidenced as occurring.	All properties with suspensions on them are reviewed by the Recovery Officer as part of the reminder reports process and the details of each property will be checked. The status of suspensions is updated in the notes on the case however there is no formal printed record of these investigations into the circumstances for properties with suspended bills.	Low 	A monthly listing of suspended accounts should be run with the report signed to confirm that the accounts have been checked.	<p>Suspended accounts are checked three times each month when the reminders, finals and summonses are run. The cases are reviewed by either the Recovery Officer, or Business Rates Manager using an on-line, secure login. This generates an individual audit trail.</p> <p>Each reviewed account will have a notebook as to the action taken, even if no action is required, and the reason noted.</p> <p>A printout will be retained each time the job is run, which will be signed and initialled. Although the intention is to store these electronically.</p>	Richard Watson 1 September 2007


Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
<b>2. Operating effectiveness – Inspection of void properties</b>					
Property may have become habited yet business rates not charged.	<p>The Business Rates Procedure Notes state that it is policy that empty properties in Northampton Borough are inspection four times per year. However it was established that the recent and planned periods of inspections are: April 2006, September 2006, December 2006-January 2007, May 2007, September 2007, December 2007, February 2008.</p> <p>This timetable, if met, would provide four inspections in the financial year 2007/08 however there were only three inspections periods in the financial year 2006/07 and the calendar year 2006.</p> <p>Testing of ten empty properties identified nine properties which have been empty since 1 January 2006 or earlier. Of these nine, four properties did not receive four inspections in the calendar year 2006, of which three received only two.</p>	<p>Medium</p> 	The authority should ensure that adequate resources are made available so that inspection of void properties is carried out four times per year, as required by the Business Rates Procedure Notes.	<p>Void properties are reviewed on a rolling review and the majority of properties receive four visits each year.</p> <p>It is agreed that it is appropriate for four visits to be done per year and to ensure this resource is managed effectively, the officer concerned has now reverted back to the Revenues &amp; Benefits Management structure.</p> <p>A new inspection timetable is also to be implemented.</p> <p>A few ratepayers do notify us late, which may result in an unoccupied property not being selected for a visit until a later inspection process. These cases will therefore not meet the target.</p>	Richard Watson 1 September 2007


Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
<b>3. Operating effectiveness – Review of daily interface reports</b>					
Review of suspense accounts cannot be immediately confirmed.	Testing of five daily cash posting interface reports found that while items had been resolved satisfactorily, four reports had not been signed by their reviewer to confirm that this process had taken place.	Low 	Daily cash posting reports should be signed by the Billing Assistant reviewing the items in order to confirm this review has taken place.	The on-line audit trail on the Academy system shows who reviews the cash postings via the individual's secure login and the actions taken.  In response to the audit, a report is now printed out on a daily basis, initialled and dated, with actions taken. Although the intention is for these to be stored electronically.	Richard Watson 1 September 2007






Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
<b>4. Operating effectiveness – Service Level Agreement with Valuation Office</b>					
Organisational responsibilities may not be clearly assigned.	<p>It was noted that the 2007/08 Service Level Agreement between the Valuation Office and Consortium Business Rates has not yet been signed by both parties.</p> <p>It is recognised that this is potentially out of the control of the Council but it should strive to ensure that the agreement is completed as early as possible.</p>	<p>Low Risk</p> 	The Consortium should ensure that as a matter of good practice SLAs are signed and agreed prior to the commencement of the financial year.	<p>The service level agreement is drawn up by the Valuation Office each year. This financial years agreement was not distributed by the Valuation Office until the 29th May 2007 and completed and signed by the Borough Council within three weeks of receipt.</p> <p>Whilst the Consortium is committed to engaging with our fellow service providers at the earliest opportunity, the drivers for this process are outside our control.</p>	<p>Ian Tyrer.</p> <p>No further action required.</p>



# Follow up of prior year recommendations

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed	Deadline for action and accountable officer	Current Status
1.	It was noted that the 2006/07 Service Level Agreement between the Valuation Office and Consortium Business Rates had not been signed at the start of the year. Instead a meeting had been arranged in September 2006 for this to happen.	Low Risk 	The Consortium should ensure that as a matter of good practice SLA's are signed and agreed prior to the commencement of the financial year.	<p>The Service Level Agreement was not drawn up and provided by the Valuation Office, in a hard copy until their review/consultation meeting on the 18th July 2006. This was subsequently e-mailed to all local authorities on 2nd August 2006.</p> <p>This was checked, signed and returned to the VO on the 8th August, before being returned to the Consortium on 1st September. It is agreed that we should endeavour to complete this process earlier and will take all opportunities to realise this target, however we reliant the Valuation Office to facilitate this happening.</p>	Richard Watson, 01.04.07	<p><b>Outstanding</b></p> <p>This issue has reoccurred in 2007/08. Refer to issue 4 in findings and recommendations.</p> <p>All cases on notebook where action required on not.</p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed	Deadline for action and accountable officer	Current Status
2.	<p>It was noted that during the month of June 2006, no Summons or Revised Compliant reports had been run and approval sought from the clerk to the Magistrates so that appropriate recovery action could be taken.</p> <p>This was as a result of only 1 authorised person in post who could take the report to the Magistrates Court and the individual was on leave. Steps were being taken to recruit to the post of Recovery Officer.</p>	<p>Medium Risk</p> 	<p>The authority should ensure that appropriate arrangements are in place to cover any annual leave or staffing short falls so that recovery procedures are adhered to and performed in a timely manner.</p>	<p>Agreed, but as this was due extreme circumstances following a resignation, which has now been recruited to. A review of processes and responsibilities has been undertaken to ensure any risk is reduced further.</p>	<p>Richard Watson - already implemented.</p>	<p><b>Implemented</b></p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed	Deadline for action and accountable officer	Current Status
3.	During our testing of 11 void property inspections we noted that in 2 cases either the initial or second inspection was overdue as over 4 months had elapsed without the property being visited.	Medium Risk 	The authority should ensure that adequate resources are made available so that inspection of void properties is carried out in a timely manner.	Agreed, void checks are being completed on a rolling review and as a result there will be always be properties where a new check is imminent.  We are currently up to date with void inspections plan this year.	Richard Watson - already in place.	<b>Outstanding</b>  This issue has reoccurred in 2007/08. Refer to issue 2 in findings and recommendations.
4.	Testing of 5 partial occupancy relief granted found that in 1 case there was no evidence of an application having been made. Upon further investigation it was established that the client had sent an email but a copy had not been retained on file.  All 5 cases tested had relevant assessment certificates from the Valuation Office.	Low Risk 	The authority should ensure that when granting partial occupancy relief, a copy of the original application is retained on file.	Agreed, a copy of the original applications should be retained in a format that will allow demonstration that due process has been followed and that a clear audit trail is maintained. Procedure manuals need to be amended to support this process.	Richard Watson - With immediate effect.	<b>Implemented</b>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed	Deadline for action and accountable officer	Current Status
5.	Although transactions appearing in daily expense accounts appear to be cleared on a timely basis, we did note that in 2 out of the 5 cases tested these had not been signed and dated by the reviewer.	Low Risk 	The authority should ensure that all suspense account reports are signed and dated following review.	Agreed. Procedures are now in place and all are initialled.	Richard Watson - already in place.	<b>Outstanding</b> This issue has reoccurred in 2007/08. Refer to issue 3 in findings and recommendations.

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed	Deadline for action and accountable officer	Current Status
6.	<p>During the review it was noted that reconciliations between the ICON system and the Business Rates (Academy) system were not being performed in a timely manner.</p> <p>All monthly reconciliations for April - Aug 2006 were performed on 11/9/2006.</p>	Low Risk  	The authority should ensure that reconciliations are undertaken promptly to ensure that any discrepancies are identified and investigated in a timely manner.	Agreed, since audit procedures put in place to ensure this happens.	Sarah Tyrer, already in place.	<b>Implemented</b>
7.	<p>During our testing of refunds we noted an instance where a refund was showing as been given on the spreadsheet received from CBR, but the refund had not been processed as part of the batch it was included within.</p>	Low Risk  	The authority should ensure that all refunds given are supported by authorised documentation. If the refund has been withdrawn then records should be updated accordingly.	Agreed. Work is currently being undertaken and new procedures will soon be in place to export the refunds directly into the Agresso system, with an expected go live of 1st February 2007. This will remove any danger of files being corrupted.	Richard Watson, 1 <sup>st</sup> February 2007	<b>Implemented</b>

# Appendix 1 - Terms of Reference

The objectives of our review were to ensure that adequate controls were in place over;

- Identification and valuation of properties
- Relief's and exceptions are appropriately calculated and applied
- Billing & collection
- Recovery and enforcement
- Accounting for NNDR
- Compliance with legislation

(Limited scope review; assess any changes made to the system and undertake testing to ensure controls are operating.)

## Appendix 2 - Assurance ratings

Level of assurance	Description
<b>High</b>	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
<b>Moderate</b>	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
<b>Limited</b>	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
<b>No</b>	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>



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# Northampton Borough Council Internal Audit Report 2007-08 Council Tax Review

Report No. 07\_08 NBC 03 – *Final Report*



Assurance rating this review	Limited Assurance
Assurance rating previous review	Limited Assurance

## Distribution List

Ian Tyrer – Revenues and Benefits Manager  
Maggie Denham – Council Tax Team Leader  
Paul Willmott – Council tax Team Leader  
Isabell Procter – Corporate Director, Finance  
Gavin Chambers – Head of Finance  
David Taylor – Corporate Director  
Clive Thomas – Corporate Director

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## Timetable

Action	Planned date	Actual date
Agreement of terms of reference	July 2007	July 2007
Fieldwork start	July 2007	July 2007
Fieldwork complete	July 2007	July 2007
Draft report to client	August 2007	August 2007
Response by client	August 2007	August 2007
Final report	September 2007	September 2007

# Background and scope

## Introduction

This review was undertaken as part of the 2007/08 Internal Audit plan agreed by the Audit Committee.

This report has been prepared solely for Northampton Borough Council in accordance with the terms and conditions set out in our contract dated 1st January 2007. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

## Background

This report is intended to inform management of the results of our review of Council Tax. This review has been undertaken as part of the Core Financial Systems audit work included within the 2007/08 Internal Audit Plan. This report reflects our findings over the controls and processes in place as at the time of our internal audit fieldwork which took place during July 2007.

## Approach and scope

### Approach

In agreement with the Director of Finance & the Revenues and Benefits Manager, we agreed that our work would focus on the following areas:

- All properties are identified and correctly valued
- Discounts and exemptions are justified and supported by appropriate supporting documentation.
- Billing and collection of Council Tax, including accounts in arrears is working effectively
- Management Information is accurate and appropriate to support analysis of the council tax function
- Amendments to liability are processed correctly

Our work is designed to comply with the Government Internal Audit Standards [GIAS] and the CIPFA code.

### Scope

In accordance with our Terms of Reference in (Appendix 1), agreed with the Director of Finance and Revenues and Benefits Manager, we undertook a limited scope audit of the Council Tax Function.

This limited scope audit involved a review of the design of the key controls together with detailed testing to determine whether the controls are operating in practice.

### Limitations of scope

The scope of our work was limited to those areas identified in the terms of reference.

**Staff involved in this review**

We would like to thank all client staff involved in this review for their co-operation and assistance.





Name of client staff
Ian Tyrer- Revenues and Benefits Manager
Sarah Tyrer – Training, and Technical Performance Manager
Maggie Denham – Council Tax Team Leader
Paul Willmott –Council tax Team Leader

# Our opinion and assurance statement

## Introduction

This report summarises the findings of our review of the Council Tax Function

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the <b>authority's objectives</b> in relation to: <ul style="list-style-type: none"> <li>the efficient and effective use of resources</li> <li>the safeguarding of assets</li> <li>the preparation of reliable financial and operational information</li> <li>compliance with laws and regulations.</li> </ul>
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key <b>system, function or process</b> objectives.  This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall authority objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> <li>has a low impact on the achievement of the key system, function or process objectives;</li> <li>has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
 Low	Control weakness that does not impact upon the achievement of key <b>system, function or process</b> objectives; however implementation of the recommendation would improve overall control.

## Summary of Findings

Our detailed findings and recommendations are set out in the findings and recommendations section of this report. The table below summarises the number of findings raised and the priority rating assigned.

Risk rating	Number of findings this review	Prior year issues brought forward	Total
Critical	0	0	0
High	0	1	1
Medium	4	2	6
Low	2	3	5
<b>Total</b>	<b>6</b>	<b>6</b>	<b>12</b>

## Opinion

We are required to provide an opinion on the adequacy and effectiveness of internal control in relation to the area under review. Our opinion is based on the work performed as set out in the agreed terms of reference and is subject to the inherent limitations set out in the limitations and responsibilities section of this report. We also provide an assurance statement for the area under review.

### Design of the controls under review

We identified 6 weaknesses in the design of controls in relation to the Council Tax Function, all of which have been assessed as medium or low risk. In our opinion, these weaknesses are not likely to have a significant impact on the achievement of the key objectives of the Council Tax Function.

### Operation of the controls under review

We identified 6 instances where the controls were not operating as designed in practice at the time of our audit. 1 of these control weaknesses has been assessed as high risk. Based upon the sample testing performed, in our opinion these control weaknesses are likely to have a significant impact on the achievement of the key objectives of the Council Tax Function.

### Value for Money

During our review we did not identify any specific value for money issues.

## Assurance statement

### Limited assurance

There are some weaknesses in the design and operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process as follows:

- The authority is aware of all properties and their correct valuations
- Bills are accurately raised
- Compliance with relevant legislation
- Access to council tax system is appropriately restricted

In arriving at this level of assurance we also took into account progress made in implementing prior years recommendations. Of the 9 recommendation made, 6 had not been fully actioned, although 2 of these recommendations were not due to be implemented at the time of the audit.

## Follow-up

The table below summarises the recommendations made during our 2006/07 review of Council Tax and their current status.

Risk Rating	Number of findings	Implemented or no longer relevant	Partially implemented	Outstanding
Critical	0	N/a	N/a	N/a
High	1	0	0	1
Medium	3	1	0	2
Low	5	2	0	3
<b>Total</b>	<b>9</b>	<b>3</b>	<b>0</b>	<b>6</b>

Where issues have been identified as outstanding these have been raised once again in the main body of the report and a revised management response requested.

A follow-up review of all the agreed actions should be undertaken as part of the 2008/09 internal audit plan.

## Detailed findings and recommendations

Our detailed findings and recommendations are set out in the findings and recommendations section of this report. Management responses are included which identify actions to be taken, responsibility and timeframe.



# Limitations and responsibilities

## Limitations inherent to the internal auditor's work

We have undertaken the review of the Council Tax Function, subject to the following limitations.

### Internal control

Internal control, no matter how well designed and operated, can provide only **reasonable** and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### Future periods

The assessment of controls relating to the Council Tax Function is that historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

## Responsibilities of management and internal auditors

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



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


Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.


# Findings and recommendations

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
<b>Operating effectiveness of controls</b>						
1	If the valuation dates entered are incorrect and the banding has changed, the council tax payer may be under or over paying council tax.	For 2 out of 10 new properties tested, the valuation date had been entered incorrectly on the system.  This did not affect the liability as that commenced when the council tax payer moved into the property which was after the valuation dates recorded on the system. As such this is considered a controls issue as in other circumstances incorrect recording of the dates could affect the liability.	●  Low	The valuation dates on the system should reflect the dates in the Valuation Office Agency report.	Agreed. A new process has been introduced since the audit inspection.	Paul Willmott  1 September 2007

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
2	<p>Prompt action is not being taken to amend council tax liabilities upon receipt of information in relation to change of circumstances.</p>	<p>For 1 out of 5 long term empty properties tested, it was found that the council tax department had been informed that an owner of a property had applied for a House in Multiple Occupancy License. As of March 2007 the property had 15 individuals living in it. However despite this being noted on the file, no correspondence had taken place with the Owner and the long term empty discount of 50% continued to be applied up to our audit in July 2007.</p>	<p style="text-align: center;">● Medium</p>	<p>The authority should ensure that discounts are removed as soon as they are made aware of any changes to circumstances.</p>	<p>Agreed. Procedures changed to reflect that following notification to the authority, the change in discount is monitored whilst any further investigation is completed, prior to the correct entitlement is applied.</p>	<p>Paul Willmott 1 September 2007</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
<b>Control Design</b>						
3	The authority is not crediting the full re-banding effect to council tax payers accounts.	<p>It was noted that the council tax system only goes back to 1 April 1999 even though council tax came into effect during the 1993/94 financial year.</p> <p>As such in cases where a re-banding has been performed and it is decided that a property should have been in a lower banding the system will only calculate back to 1999 and as such the customers account is not correctly credited.</p> <p>Out of the 10 re-bandings tested, 2 accounts were found that should have been adjusted prior to the 1 April 1999.</p>	 Medium	The authority should undertake a review of all properties that have been re-banded to ensure that council tax payers accounts have been credited appropriately.	Agreed. New processes are now in place to ensure future properties are amended in accordance with requirements. Review of existing cases to be undertaken in November.	Paul Willmott 1 November 2007
4	Empty property exemption might be claimed in cases where the claimant is not eligible.	It was noted that at present the Council does not have a rolling programme in place to inspect empty properties to ensure they are eligible for empty property exemption.	 Medium	The Council should introduce a robust programme of inspections as soon as possible.	Agreed.	Cheryl Doran 1 October 2007

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
5	The suspense accounts do not give a true indication of balances held in suspense.	<p>Through testing of large credit balances it was noted that one account was a dummy account with a balance of £5,069. This account in effect acts as an extension of the suspense accounts but is not reviewed as part of the daily or weekly process. Transfers can't be made directly from the suspense account so the dummy account acts as a buffer account between the suspense account and the account to which payments should go to.</p> <p>However there should be a small balance on this account which should just be a few days old but elements of this balance appear to go back to previous years.</p>	 Medium	This account should be reviewed by management regularly as it is in effect a suspense account and balances investigated and cleared down promptly.	Agreed.	Paul Willmott 1 October 2007

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
6	Given that the matching liability no longer exists in the authority's accounts there is an increased risk that these funds may be misappropriated.	Further review of large credit balances identified an account with a balance of £24,333 entitled 'Archived balance payments'. This account is for payments that have been made by former council tax payers whose debt has been written off as uncollectible, thus they no longer have an account with the council and therefore payments are credited here.	 Medium	This account and all transactions within it should be reviewed by management on a regular basis and action taken to allocate income appropriately.	Agreed.	Paul Wilmott 1 October 2007

# Outstanding prior year issues brought forward

Ref	Control weakness found	Risk rating	Recommendations	Original Remedial Action agreed	Original Deadline for Action and accountable officer	Updated Management response	Officer responsible & implementation date
1	<p>Our testing of 30 properties for which either an exemption or discount was being claimed identified the following:</p> <ul style="list-style-type: none"> <li>For 1 out of 15 property exemptions tested there was no documentation held to support the empty property exemption claimed.</li> <li>For 1 out of 15 discounts tested there was no documentation held to support the disablement discount claimed.</li> </ul> <p>It was also noted that continued eligibility to discounts was not being regularly reviewed or checked.</p>	<p>● Medium</p>	<p>The authority should ensure that all discounts and exemptions are supported by documentary evidence and existing discounts and exemptions granted should be reviewed on a periodic basis to ensure that the discounts and exemptions are still applicable.</p>	<p>Agreed. Timetable to be created to review all discounts and exemptions.</p>	<p>1st October 2007 Paul Willmott</p>	<p>See Council Tax action plan.</p>	<p>Paul Willmott 1st October 2007</p>


Ref	Control weakness found	Risk rating	Recommendations	Original Remedial Action agreed	Original Deadline for Action and accountable officer	Updated Management response	Officer responsible & implementation date
2	<p>We noted that council tax bills raised prior to April 2006 that went back as far as 1999 came to approx £6,088,645.</p> <p>Only £5,441 of debt has been written off in 2006/07 and therefore it is likely that a significant amount of debt may have to be written off in the future due to it being uncollectible.</p> <p>We were informed that approx. £2.1 million of the oldest debt has been sent to a tracing agency and the majority of the remainder is currently with bailiffs. The success of the tracing agency is likely to be known by the start of 2007/08 and it is envisaged that a considerable amount of this debt will have to be written off at this stage.</p>	<p>●</p> <p>High</p>	<p>The authority should ensure that appropriate levels of bad debt provision are in place and assess the overall level of debt that is unlikely to be collected so that steps can be taken to write off.</p> <p>Going forward it should continually strive to improve on its annual collection targets so that level of aged debt is minimised.</p>	<p>Agreed. The mechanical write-off process has been put in place since the audit.</p> <p>Further work needs to be undertaken to analyze the impact on the NBC accounts, and following this work, a strategy needs to be developed to bring this process to the levels expected.</p>	<p>1<sup>st</sup> June 2007</p> <p>Ian Tyrer and Bill Lewis</p>	<p>Process now agreed to proceed, and will commence on 28 August 2007</p>	<p>Ian Tyrer</p> <p>28 August 2007</p>





Ref	Control weakness found	Risk rating	Recommendations	Original Remedial Action agreed	Original Deadline for Action and accountable officer	Updated Management response	Officer responsible & implementation date
3	Our testing of 10 Council Tax Liabilities that had been written off identified 5 instances where no explanation had been recorded.	● Medium	The reason for writing off any council tax liability should be clearly documented on the system.	Agreed.	1 <sup>st</sup> June 2007 Maggie Denham	As discussed with Council Tax Team Leader, there have been no individual write offs of Council Tax liabilities;  Process now agreed to proceed, and will commence on 28 August 2007	Maggie Denham 28 August 2007
4	Although exception reports are being produced, there is no evidence that management review these.  (Similar issue raised in prior year review)	● Low	The authority should ensure that exception reports are being reviewed on a regular basis and evidenced as such.	Agreed.	1 <sup>st</sup> June 2007 Paul Willmott	Agreed.	Paul Willmott 1 August 2007

Ref	Control weakness found	Risk rating	Recommendations	Original Remedial Action agreed	Original Deadline for Action and accountable officer	Updated Management response	Officer responsible & implementation date
5	<p>It was noted that precepting authorities were not informed of the Council Tax base between 1/12/06 and 31/1/07.</p> <p>It appears that the authorities were informed via e-mail prior to these dates but no formal letters were sent confirming the base between 1/12/06 and 31/1/07.</p>	<p>Low Risk</p> <p>●</p>	The authority should ensure that precepting authorities are informed of the council tax base in line with the statutory requirements.	Agreed.	<p>1<sup>st</sup> June 2007</p> <p>Bill Lewis</p>	See Council Tax action plan.	<p>Bill Lewis</p> <p>1 September 2007</p>
6	<p>Testing of 5 accounts showing credit balances between £600 and £1200 found 1 instance where the individual was still making regular payments by standing order of £15 per month and had a credit balance of £936 but had not been contacted by the authority.</p> <p>In the other 4 cases no refunds have been requested for the overpayments made.</p>	<p>●</p> <p>Low</p>	The council should periodically review credit balances and contact individuals who continue to make payments but accounts are in credit.	Agreed.	<p>1<sup>st</sup> October 2007</p> <p>Paul Willmott</p>	See Council Tax action plan.	<p>Paul Willmott</p> <p>1 October 2007</p>

# Follow up of prior years recommendations

Ref	Control weakness found	Risk rating	Recommendations	Management response	Current status
1	<p>Our testing of 30 properties for which either an exemption or discount was being claimed identified the following:</p> <ul style="list-style-type: none"> <li>For 1 out of 15 property exemptions tested there was no documentation held to support the empty property exemption claimed.</li> <li>For 1 out of 15 discounts tested there was no documentation held to support the disablement discount claimed.</li> </ul> <p>It was also noted that continued eligibility to discounts was not being regularly reviewed or checked.</p>	<p> Medium</p>	<p>The authority should ensure that all discounts and exemptions are supported by documentary evidence and existing discounts and exemptions granted should be reviewed on a periodic basis to ensure that the discounts and exemptions are still applicable.</p>	<p>Agreed. Timetable to be created to review all discounts and exemptions.</p> <p>Paul Willmott, 1<sup>st</sup> October 2007</p>	<p><b>Outstanding</b></p> <p>Agreed implementation date not yet reached.</p> <p>Issue re-raised within this report.</p>

Ref	Control weakness found	Risk rating	Recommendations	Management response	Current status
2	<p>It was noted that reconciliations between the council tax and housing benefit system are performed on a monthly basis but have not been reviewed in either September or October 2007.</p> <p>(Similar issue raised in prior year report.)</p>	<p style="text-align: center;">● Low</p>	<p>The authority should ensure that reconciliations are evidenced as completed and reviewed on a timely basis.</p>	<p>Agreed. These were brought up to date at the time of the audit. A timetable has now been agreed to ensure that this is done on a monthly basis.</p> <p>Sarah Tyrer, with immediate effect.</p>	<p><b>Implemented.</b></p>

Ref	Control weakness found	Risk rating	Recommendations	Management response	Current status
3	<p>We noted that council tax bills raised prior to April 2006 that went back as far as 1999 came to approx £6,088,645.</p> <p>Only £5,441 of debt has been written off in 2006/07 and therefore it is likely that a significant amount of debt may have to be written off in the future due to it being uncollectible.</p> <p>We were informed that approx. £2.1 million of the oldest debt has been sent to a tracing agency and the majority of the remainder is currently with bailiffs. The success of the tracing agency is likely to be known by the start of 2007/08 and it is envisaged that a considerable amount of this debt will have to be written off at this stage.</p>	 High	<p>The authority should ensure that appropriate levels of bad debt provision are in place and assess the overall level of debt that is unlikely to be collected so that steps can be taken to write off.</p> <p>Going forward it should continually strive to improve on its annual collection targets so that level of aged debt is minimised.</p>	<p>Agreed. The mechanical write-off process has been put in place since the audit.</p> <p>Further work needs to be undertaken to analyze the impact on the NBC accounts, and following this work, a strategy needs to be developed to bring this process to the levels expected.</p> <p>Ian Tyrer and Bill Lewis, 1<sup>st</sup> June 2007</p>	<p><b>Outstanding</b></p> <p>Issue re-raised within this report.</p>
4	<p>Our testing of 10 Council Tax Liabilities that had been written off identified 5 instances where no explanation had been recorded.</p>	 Medium	<p>The reason for writing off any council tax liability should be clearly documented on the system.</p>	<p>Agreed.</p> <p>Maggie Denham, 1<sup>st</sup> June 2007</p>	<p><b>Outstanding</b></p> <p>Issue re-raised within this report.</p>

Ref	Control weakness found	Risk rating	Recommendations	Management response	Current status
5	It was noted that council tax staff are not required to document on the system as to why a summons order has been suppressed. As such there is no audit trail that explains why the debt is not being chased via summons.	● Medium	The authority should ensure that an explanation as to why a summons has been suppressed is clearly documented on the system.	Agreed  Maggie Denham, with immediate effect	<b>Implemented.</b>
6	It was noted that although reports of discounts and exemptions are being produced these do not appear to be reviewed by senior management.  (Similar issue raised in prior year review.)	● Low	The authority should ensure that management regularly reviews the discounts and exemptions to council tax charges for reasonableness on a regular basis.	Agreed. To be part of the management reporting process.  Kevin Whiteman, 1 <sup>st</sup> May 2007	<b>Implemented.</b>
7	Although exception reports are being produced, there is no evidence that management review these.  (Similar issue raised in prior year review)	● Low	The authority should ensure that exception reports are being reviewed on a regular basis and evidenced as such.	Agreed.  Paul Willmott, 1 <sup>st</sup> June 2007	<b>Outstanding</b>  Issue re-raised within this report.

Ref	Control weakness found	Risk rating	Recommendations	Management response	Current status
8	<p>It was noted that precepting authorities were not informed of the Council Tax base between 1/12/06 and 31/1/07.</p> <p>It appears that the authorities were informed via e-mail prior to these dates but no formal letters were sent confirming the base between 1/12/06 and 31/1/07.</p>	<p>Low Risk</p> <p>●</p>	<p>The authority should ensure that precepting authorities are informed of the council tax base in line with the statutory requirements.</p>	<p>Agreed.</p> <p>Bill Lewis, 1<sup>st</sup> June 2007</p>	<p><b>Outstanding</b></p> <p>Issue re-raised within this report.</p>
9	<p>Testing of 5 accounts showing credit balances between, £600 and £1200 found 1 instance where the individual was still making regular payments by standing order of £15 per month and had a credit balance of £936 but had not been contacted by the authority.</p> <p>In the other 4 cases no refunds have been requested for the overpayments made.</p>	<p>●</p> <p>Low</p>	<p>The council should periodically review credit balances and contact individuals who continue to make payments but accounts are in credit.</p>	<p>Agreed.</p> <p>Paul Willmott, 1<sup>st</sup> October 2007</p>	<p><b>Outstanding</b></p> <p>Agreed implementation date not yet reached.</p> <p>Issue re-raised within this report.</p>

# Appendix 1 - Terms of Reference

The objectives of our review were to ensure that:

- The authority is aware of all properties and their correct valuations
- Liability to pay is quickly identified
- Discounts and exemptions are justified and evidenced
- Bills are accurately raised
- Adequate controls of collection and enforcement in respect of unpaid bills
- Compliance with relevant legislation
- Accounting for council tax
- Management/performance information
- Access to council tax system is appropriately restricted



## Appendix 2 - Assurance ratings

Level of assurance	Description
<b>High</b>	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
<b>Moderate</b>	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
<b>Limited</b>	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
<b>No</b>	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>

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# Agenda Item 9

EXEMPT INFORMATION BY VIRTUE OF  
PARAGRAPH(S)3 OF PART 1 OF SCHEDULE 12A  
OF THE LOCAL GOVERNMENT ACT 1972.

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