

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in the Jeffery Room on Tuesday, 2 December 2008 at 6:00 pm.

**D Kennedy
Chief Executive**

AGENDA

1. APOLOGIES
2. MINUTES
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. RISK MANAGEMENT
Report of Director of Finance and Support.
7. REPORTS REQUESTED BY AUDIT COMMITTEE
 - (A) COUNCIL DEBT
 - (I) BENEFIT OVERPAYMENTS DEBT REPORT
 - (II) COUNCIL TAX DEBT
 - (III) HOUSING RENTS DEBT
(to follow)
 - (B) BANK RECONCILIATIONS
(to follow)
 - (C) BUILDING CONTROL COSTS REVIEW
8. INTERNAL AUDIT PROGRESS REPORT
Report of the Internal Auditor
9. OUTSTANDING AUDIT RECOMMENDATIONS - REVIEWS REQUESTED BY CHAIR OF AUDIT COMMITTEE
 - (A) WESTBRIDGE STORES - FOLLOW-UP
 - (B) NBC14 - FIXED ASSETS
 - (C) NBC21 - ELECTRICAL SERVICES
10. EXTERNAL AUDIT UPDATE

Report of the External Auditor

11. 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.”

Appendices



Item No.
6

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Risk Management
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AGENDA STATUS: PUBLIC

Meeting Date:	2 December 2008
Directorate:	Finance and Support
Accountable Cabinet Member:	Malcolm Mildren
Ward(s)	Not Applicable

1. Purpose

- 1.1 This report provides an overview of the draft Risk Management Strategy and a summary of the Council’s current Strategic Risk Register.

2. Recommendations

- 2.1 To indicate required amendments to the draft Risk Management Strategy and consider recommending the amended Risk Management Strategy to Cabinet for approval.
- 2.2 To note the current Strategic Risk Register and request further information as required.
- 2.3 To nominate a Risk Management Lead Member to report to Audit Committee.

3. Issues and Choices

3.1 Report Background

- 3.1.1 At the last Committee meeting on 25th September, the Audit Committee requested regular reports on the risk register.
- 3.1.2 The current Strategic Risk Register is attached for information and review.
- 3.1.3 The Council’s Risk Management Strategy has been revised, incorporating proposed changes to the Council’s approach to Risk Management. As the Audit Committee has a specific role in considering the effectiveness of the Council’s risk management arrangements, the Audit Committee’s recommendation to Cabinet is sought.

3.2 Issues

3.2.1 The key developments within the draft Risk Management Strategy are set out below:

- The Risk Management Strategy now incorporates Business Continuity Management as a function of managing risk.
- A Risk and Business Continuity Management Handbook has been developed to assist Managers and those with specific Risk and Business Continuity responsibilities in undertaking both routine and non-routine risk management activities.
- The Strategy has specific objectives with a corresponding action plan detailing the activities to be undertaken to meet the objectives.
- A more commonly used and intuitive approach to scoring risk has been developed.
- The Strategy incorporates a defined Risk Appetite for the Council that defines the boundary above which we will not accept the level of residual risk.
- There are further defined roles and responsibilities and defined monitoring and reporting functions.
- A move from the current risk management software Risgen, to Performance Plus is being facilitated.

3.2.2 The proposed Audit Committee responsibilities set out in the draft Risk Management Strategy are highlighted below:

- The Audit Committee is the lead Councillor body responsible for overseeing risk management across the Council.
- To ensure that the Council operates effective risk management systems.
- To report to full Council annually on the effectiveness of the Council's Risk Management framework.
- To hold the Management Board accountable for effective risk management across the Council.
- To challenge and support the Risk Management Framework and monitor the Risk Management Strategy Action Plan twice a year.
- To nominate a Risk Management Lead Member to report to Audit Committee.

3.2.3 The current Strategic Risk Register is attached for information. A Strategic Risk Review workshop is scheduled with Management Board on 28th November 2008. The output from this workshop will be used to update the Strategic Risk Register.

3.2.4 At the Strategic Risk Workshop, Management Board will be asked to agree the level of Risk Appetite for the Council to be incorporated into the revised Risk Management Strategy. If any amendments are made to the Risk Appetite the revised sections of the Strategy will be circulated at the Audit Committee meeting on 2 December 2008.

3.3 Choices (Options)

- 3.3.1 The Audit Committee is invited to consider and provide comments on the draft Risk Management Strategy.
- 3.3.2 In addition, the committee is asked to consider recommending the revised Risk Management Strategy to Cabinet for approval in January 2009.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The Council's defined Risk Appetite could have implications on future policy decisions.

4.2 Resources and Risk

- 4.2.1 A balanced approach needs to be taken when considering the cost of mitigating actions against the level of risk.

4.3 Legal

- 4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

- 4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

- 4.5.1 The Assistant Head of Finance and the Director of Finance have been asked to comment on this report.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 Supporting the Council in achieving its priorities and objectives at all levels within the organisation.
- 4.6.2 Providing an early warning system to alert Officers and Members to potential opportunities and threats.
- 4.6.3 Targeting resources at areas and issues of greatest risk where the Council's objectives are most under threat.
- 4.6.4 Better-informed decision-making throughout the Council.

4.7 Other Implications

- 4.7.1 Not applicable

5. Background Papers

- 5.1 The draft Risk Management Strategy
- 5.2 The current Strategic Risk Register

Sue Morrell, Interim Risk Manager, ext 8420.

Risk Register (Standard)

Username: smorrell

Report Reference: 24/7074

Date: 19 November 2008

Strategic Register from 1 Oct 2007 : .

Register Issue: 6 (Issued: 04/11/08)

Level: 3 Group: Mgmt Board

Owner: David Kennedy

Phase 1 Risk Identification					Phase 2 Current Assessment					Phase 3 Mitigation		Phase 4 Target					Phase 5 Fallback Plan					
Risk No	Risk Group	Risk Title Or Description	Risk Owner	Risk Manager	Prob	Impacts					Cat	No of RRs	Next Action Date	Prob	Impacts					Cat	Fall-back Plan	Action Manager
						1	2	3	4	5					1	2	3	4	5			
001/03	Partnership	Loss of reputation with Government, Regional and Local Partners and	Management Board	David Kennedy	M	H					2	6	30/04/08	M	H					2		
002/03	Safer Greener	Inability to manage the effects of a major incident	Management Board	David Kennedy	L	H					3	3	31/07/08	L	H					3		
003/02	Quality Services	Loss of Public and Staff Confidence in the Council	Management Board	David Kennedy	M	H					2	6	30/04/08	M	H					2		
004/02	Quality Services	Failure to take opportunities provided by the growth agenda	Management Board	David Kennedy	M	H					2	3	30/04/08	M	H					2		
005/03	Safer Greener	Risk of a divided community	Management Board	David Kennedy	L	H					3	4	30/06/08	L	M					5		
006/03	Quality Services	Non compliance with key regulations and statutory requirements	Management Board	David Kennedy	M	H					2	4	30/06/08	M	H					2		

Impact Key: 1:Value



Risk Register (Standard)

Username: smorrell

Report Reference: 24/7074

Date: 19 November 2008

Chief Executive : .

Register Issue: 8 (Issued: 04/11/08)

Level: 5 Group: Mgmt Board

Owner: David Kennedy

Phase 1 Risk Identification					Phase 2 Current Assessment					Phase 3 Mitigation		Phase 4 Target					Phase 5 Fallback Plan					
Risk No	Risk Group	Risk Title Or Description	Risk Owner	Risk Manager	Prob	Impacts					Cat	No of RRs	Next Action Date	Prob	Impacts					Cat	Fall-back Plan	Action Manager
						1	2	3	4	5					1	2	3	4	5			
001/02	Quality Services	Lack of clear priorities and alignment of resources to priorities	Chief Executive	David Kennedy	M	M					4	2	30/04/08	M	M					4		
002/02	Economic Develop	Inability of the Council to contribute to and influence the Growth Agenda.	Chief Executive	David Kennedy	M	H					2	3	31/07/08							6		
003/02	Partnership	Lack of engagement with strategic partners at the highest level	Chief Executive	David Kennedy	M	H					2	1								6		
004/02	Partnership	Breakdown of relationship with County Council	Chief Executive	David Kennedy	M	M					4	2	30/11/08							6		
005/03	Quality Services	Failure to deliver against Strategic Improvement Plan	Chief Executive	Dale Robertson	M	H					2	3	30/04/08							6		
006/07	Quality Services	Failure to engage effectively with customers	Chief Executive	David Kennedy	H	M					2	1	29/04/08							6		

Impact Key: 1:Value

Risk Register (Standard)

Username: smorrell

Report Reference: 24/7074

Date: 19 November 2008

Director of Planning and Regeneration : .

Register Issue: 9 (Issued: 04/11/08)

Level: 5 Group: Mgmt Board

Owner: David Bailey

Phase 1 Risk Identification					Phase 2 Current Assessment					Phase 3 Mitigation		Phase 4 Target					Phase 5 Fallback Plan						
Risk No	Risk Group	Risk Title Or Description	Risk Owner	Risk Manager	Prob	Impacts					Cat	No of RRs	Next Action Date	Prob	Impacts					Cat	Fall-back Plan	Action Manager	
						1	2	3	4	5					1	2	3	4	5				
001/02	Economic Develop	Inability to deliver LDF on time	Regeneration	Christopher Cavanagh	H	H					1	0		M	H						2		
002/02	Partnership	Effect of national, regional and local reorganisation proposals	People Planning and	David Bailey	L	M					5	1	01/12/08	L	M						5		
003/02	Economic Develop	Implications of growth, and plans to address them not co-ordinated	People Planning and	David Bailey	M	M					4	1	30/06/08	L	M						5		
004/04	Economic Develop	Failure to deliver Grosvenor/Greyfriars and other major	People Planning and	Christopher Cavanagh	M	H					2	2	30/06/08	L	H						3		
005/03	Quality Services	Lack of capacity in key areas / skills not aligned to key objectives	Human Resources	Catherine Wilson	H	H					1	1	30/05/08	H	H						1		
006/03	Quality Services	Possible Equal Pay Claims surrounding Pay and Grading Review	Human Resources	Catherine Wilson	M	M					4	1	30/06/08	M	L						5		
007/03	Quality Services	Poor implementation of the Pay and Grading Review results	Human Resources	Catherine Wilson	M	M					4	2	30/06/08								6		
008/03	Safer Greener	Failure to take account of Climate Change and Sustainability	People Planning and	Christine Stevenson	L	M					5	1	31/03/09	L	M						5		
009/05	Quality Services	Organisational changes undermining improvement progress	NBC	David Kennedy	H	H					1	1	29/06/08	H	H						1		

Impact Key: 1:Value

Risk Register (Standard)

Username: smorrell

Report Reference: 24/7074

Date: 19 November 2008

Director of Finance - Support : .

Register Issue: 10 (Issued: 04/11/08)

Level: 5 Group: Mgmt Board

Owner: Isabell Procter

Phase 1 Risk Identification					Phase 2 Current Assessment					Phase 3 Mitigation		Phase 4 Target					Phase 5 Fallback Plan					
Risk No	Risk Group	Risk Title Or Description	Risk Owner	Risk Manager	Prob	Impacts					Cat	No of RRs	Next Action Date	Prob	Impacts					Cat	Fall-back Plan	Action Manager
						1	2	3	4	5					1	2	3	4	5			
001/03	Quality Services	Unfavourable Comprehensive Spending Review 2007	Finance	Isabell Procter	H	L					4	0								6		
002/05	Economic Develop	Failure to resolve funding arrangements for key cultural facilities	Finance	Isabell Procter	L	M					5	0		L	M					5		
003/06	Quality Services	Significant affordability gap within the Council's financial projections	Finance	Isabell Procter	M	L					5	1	02/02/09	M	L					5		
004/08	Quality Services	Failure to take account of and plan for possible economic downturn	Finance	Gavin Chambers	L	VL					6	0		L	VL					6		

Impact Key: 1:Value

Risk Register (Standard)

Username: smorrell

Report Reference: 24/7074

Date: 19 November 2008

Director of Housing : .

Register Issue: 7 Draft (Amended: 05/11/08)

Level: 5 Group: Mgmt Board

Owner: Lesley Wearing

Phase 1 Risk Identification					Phase 2 Current Assessment					Phase 3 Mitigation		Phase 4 Target					Phase 5 Fallback Plan					
Risk No	Risk Group	Risk Title Or Description	Risk Owner	Risk Manager	Prob	Impacts					Cat	No of RRs	Next Action Date	Prob	Impacts					Cat	Fall-back Plan	Action Manager
						1	2	3	4	5					1	2	3	4	5			
001/02	Improve Housing	Failure to achieve Decent Homes Standard by required date	Streetscene	Fran Rodgers	H	L					4	2	31/12/08							6		
002/01a	Safer Greener	Inability to cope with the effects of Terrorism	Customer/Service Del	Thomas Hall	VL	VH					5	2	30/09/08	VL	H					5		
003/02	Safer Greener	Lack of effective multi agency working with Police, Health	Customer/Service Del	Thomas Hall	M	M					4	4	31/12/08							6		
004/02	Quality Services	Lack of Customer Focus	Customer/Service Del	Cheryl Doran	M	H					2	1	31/12/08	M	H					2		
005/02	Quality Services	Lack of capacity and appropriate skill levels	Customer/Service Del	Lesley Wearing	H	H					1	4	30/09/08							6		
006/05	Quality Services	Growth and the impact on services	Customer/Service Del	Lesley Wearing	H	H					1	3	31/10/08							6		
007/01		Staff resistance to change	Housing Services	Lesley Wearing	M	H					2	1	31/10/08							6		
008/01		Failure to accelerate performance improvement in key business areas	Housing Services	Lesley Wearing	H	H					1	1	31/03/09							6		
009/01		Failure to maximise opportunities from government initiatives/funding	Housing Services	Lesley Wearing	L	M					5	1	31/03/09							6		
010/01		Failure to influence wider expansion growth and regeneration.	Housing Services	Lesley Wearing	H	VH					1	1	31/03/09							6		
011/01		Delays in delivering Housing Services restructure	Housing Services	Lesley Wearing	M	VH					1	1	30/10/08							6		
012/01		Assault on staff at potentially volatile locations	Housing Services	Lesley Wearing	L	L					5	1	20/11/08							6		
013/01		Lack of a robust framework for setting and monitoring HRA budgets	Housing Services	Lesley Wearing	M	H					2	1	03/03/09							6		
014/01		Failure to maximise use of IT	Housing Services	Lesley Wearing	H	VH					1	1	31/03/09							6		

Impact Key: 1:Value

Risk Register (Standard)

Username: smorrell

Report Reference: 24/7074

Date: 19 November 2008

Solicitor to the Council : Default

Register Issue: 9 Draft (Amended: 05/11/08)

Level: 11 Group: Legal - Democratic

Owner: Francis Fernandes

Phase 1 Risk Identification					Phase 2 Current Assessment					Phase 3 Mitigation		Phase 4 Target					Phase 5 Fallback Plan					
Risk No	Risk Group	Risk Title Or Description	Risk Owner	Risk Manager	Prob	Impacts					Cat	No of RRs	Next Action Date	Prob	Impacts					Cat	Fall-back Plan	Action Manager
						1	2	3	4	5					1	2	3	4	5			
001/01		Non compliance with governance procedures	Governance Res Comms	Francis Fernandes	H	VH					1	1								6		
002/03		Candidates and agents lack of knowledge re the election /	Electoral Services	Francis Fernandes	M	H					2	0								6		
003/07		Risk that a quorum for licensing sub-committee is not met	Licensing	Francis Fernandes	M	M					4	0								6		
004/01b		Failure to fully implement Local Filter		David Bibey	L	H					3	1	30/11/08							6		
005/01b		Failure to effectively operate the Local Filter		David Bibey	L	H					3	1	30/11/08							6		

Impact Key: 1:Value 2:Service Quality



Northampton Borough Council

Draft Risk Management Strategy

Version: V5 WIP
Approved By:
File name:
Document Owner: Risk Manager

Contents

Risk Management Policy Statement

1. Introduction

1.1 Scope

1.2 Objectives

2. Risk Management Approach

2.1 Risk Management defined

2.2 The Benefits of Risk Management

2.3 Risk Management Hierarchy

2.4 Risk Management Methodology

2.5 Risk Appetite

3. Business Continuity Management

3.1 Introduction to Business Continuity Management

3.2 Business Continuity Approach

4. Roles and Responsibilities

5. Monitoring and Reporting Risk

6. Risk and Business Continuity Management Training and Support

7. Glossary of Terms

8. References

Appendix A – Council Priorities and Objectives

Appendix B – Action Plan

Appendix C – Example Risk Register

Appendix D – Output from Business Impact Assessment

Northampton Borough Council

Risk Management Policy Statement

Whilst an element of risk is an integral part of everyday life, the level of exposure to risk is controllable. Northampton Borough Council will take all reasonable steps to remove or reduce sources of significant risk to its employees, assets and stakeholders.

Risk management is a positive tool that is incorporated into the management process to help achieve strategic and directorate objectives. The Council is committed to adopting a corporate, systematic and structured approach to the control of risk.

It is the responsibility of each individual employee to review their methods and conditions of work to ensure that significant sources of risk are removed, or controlled at an acceptable level. To assist in this, the Risk Manager will perform a facilitating role, providing information, support and expertise.

Wherever possible the Council will support any initiatives that significantly reduce the level of risk.

To give effect to this Policy Statement the Council will issue a Risk Management Strategy, the core elements include:

- Risk Management Objectives
- Risk Management Defined
- Benefits of a sound risk management function
- Risk Management Methodology
- Approach to Business Continuity
- Roles and responsibilities
- Monitoring and reporting
- Training and support

Director of Finance and Support

Date:

Chair of Audit Committee

Date:

1. Introduction

Northampton Borough Council recognises there is uncertainty in everything it does and the uncertainties present both risks and opportunities. This strategy describes how the authority will manage these uncertainties by identifying, evaluating and controlling risk, increasing the authority's success in achieving its priorities and objectives. A copy of the Council's Priorities is included in Appendix A.

The Council has a legal responsibility to manage risk and this Strategy supports the Council in meeting its responsibilities. Some of the key legal duties are detailed below:

The Accounts and Audit Regulations 2006 state under the Responsibility for Financial Management that:

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.”

A guide to the Corporate Manslaughter and Corporate Homicide Act 2007, produced by the Ministry of Justice, states the following:

*“**What will the courts look at under the new offence?** - Factors that might be considered will range from questions about the systems of work used by employees, their level of training and adequacy of equipment, [] ...to questions about the organisation's strategic approach to health and safety and its arrangements for risk assessing, monitoring and auditing its processes.”*

Under the Civil Contingencies Act (CCA) 2004 the Council has specific responsibilities relating to Business Continuity. All Local Authorities are classified as a Category 1 responder. As a Category 1 responder the Council is required “to maintain plans to ensure that they can continue to perform their functions in the event of an emergency, so far as is reasonably practicable.”

The act goes on to explain that as a Category 1 responder the Council needs to be able to deliver the critical aspects of its own business functions to enable it to help others in an emergency situation, keeping the impact on the public to a minimum.

The Civil Contingencies Act also places a responsibility on Local Authorities to provide advice and assistance to businesses and voluntary organisations about business continuity management.

The Audit Committee is the lead Councillor body responsible for overseeing risk management across the authority and this strategy is one tool that can be used by the Audit Committee to understand the Council's adopted approach to risk management, the processes that sit behind the procedures and where the responsibilities for risk management lie within the organisation.

The Council's Risk Management Policy states that "Risk management is a positive tool that is incorporated into the management process to help achieve corporate and directorate objectives. The Council is committed to adopting a corporate, systematic and structured approach to the control of risk".

This strategy defines the approach Northampton Borough Council will take in managing risk as an intrinsic business function. The core elements of the strategy are:

- Risk Management Objectives
- Risk Management Defined
- Benefits of a sound risk management function
- Risk Management Methodology
- Business Continuity
- Roles and responsibilities
- Monitoring and reporting
- Training and support

1.1 Scope

This Strategy is a corporate document, affecting all service areas. The management of risk is not a service specific function but cuts across all of the Council's business areas.

The Strategy is supported by an action plan (see appendix B) that details the activities scheduled to implement the objectives of the Strategy over the next 12 months and the Risk and Business Continuity Management Handbook aimed at assisting Managers in identifying and managing their risks.

Recognising that the Council is striving to continually improve risk and business continuity management across the authority and that risk and business continuity management are evolving functions, the Council's Risk Management Strategy is a living document that will adapt to a dynamic environment. This strategy will be reviewed bi-annually or in response to new legislation or national standards. The Cabinet will approve any significant changes.

This Strategy has been recommended to Cabinet by the Audit Committee on **xx** and approved by the Cabinet on **xxx**.

1.2 The key objectives of this strategy are:

1. To facilitate the achievement of Council priorities and objectives by:
 - a) Embedding an effective process of identification and management of strategic, service level and key operational and project risks.
 - b) Embedding risk management in day-to-day management processes.
 - c) Maintaining and reviewing a centrally co-ordinated register of strategic and service level risks.
 - d) Defining roles and responsibilities for risk and business continuity management within the Council.
 - e) Engendering commitment to risk and business continuity management throughout the Council.
2. To assess and manage risks associated with partnership ventures.
3. To ensure the Council fulfils its business continuity obligations under the Civil Contingencies Act 2004.
4. To create a corporate approach to business continuity.
5. To provide a schedule of routine testing and review of Business Continuity Plans.
6. To provide a corporate programme of risk and business continuity training and support.
7. To define the Council's risk appetite and implement an escalation process.
8. To increase the accessibility and visibility of the Council's Risk and Business Continuity Management processes and procedures.

1.3 These objectives will be met by:

Please see the Risk Management Strategy Action Plan, Appendix B, for a detailed breakdown of the Council's planned risk and business continuity management activities.

2. Risk Management Approach

2.1 Risk Management Defined

The Office of Government Commerce (OGC) defines risk as:

“An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured by a combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives.”

The OGC goes on to define risk management as “the systematic application of principles, approach and processes to the tasks of identifying and assessing risks, and then planning and implementing risk responses. This provides a disciplined environment for proactive decision-making”.

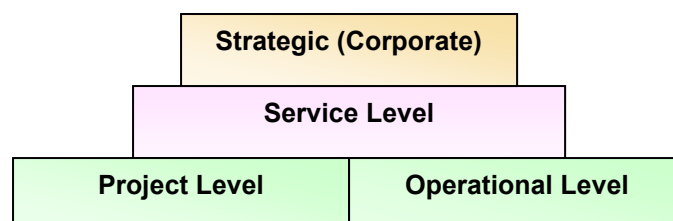
2.2 The benefits of risk management

There are a number of benefits to the Council in continuing to develop and embed a sound risk management function. The key benefits include:

- Supporting the Council in achieving its priorities and objectives at all levels within the organisation.
- Providing an early warning system to alert Officers and Members to potential opportunities and threats.
- Reduction in interruptions to service delivery.
- Continuity of critical Council activities.
- Enabling the Council to act proactively, avoiding reactive management wherever possible.
- Targeting resources at areas and issues of greatest risk where the Council’s objectives are most under threat.
- Better-informed decision-making throughout the Council.
- Protecting and enhancing the reputation of Northampton Borough Council.
- Providing a vehicle for external assurance.

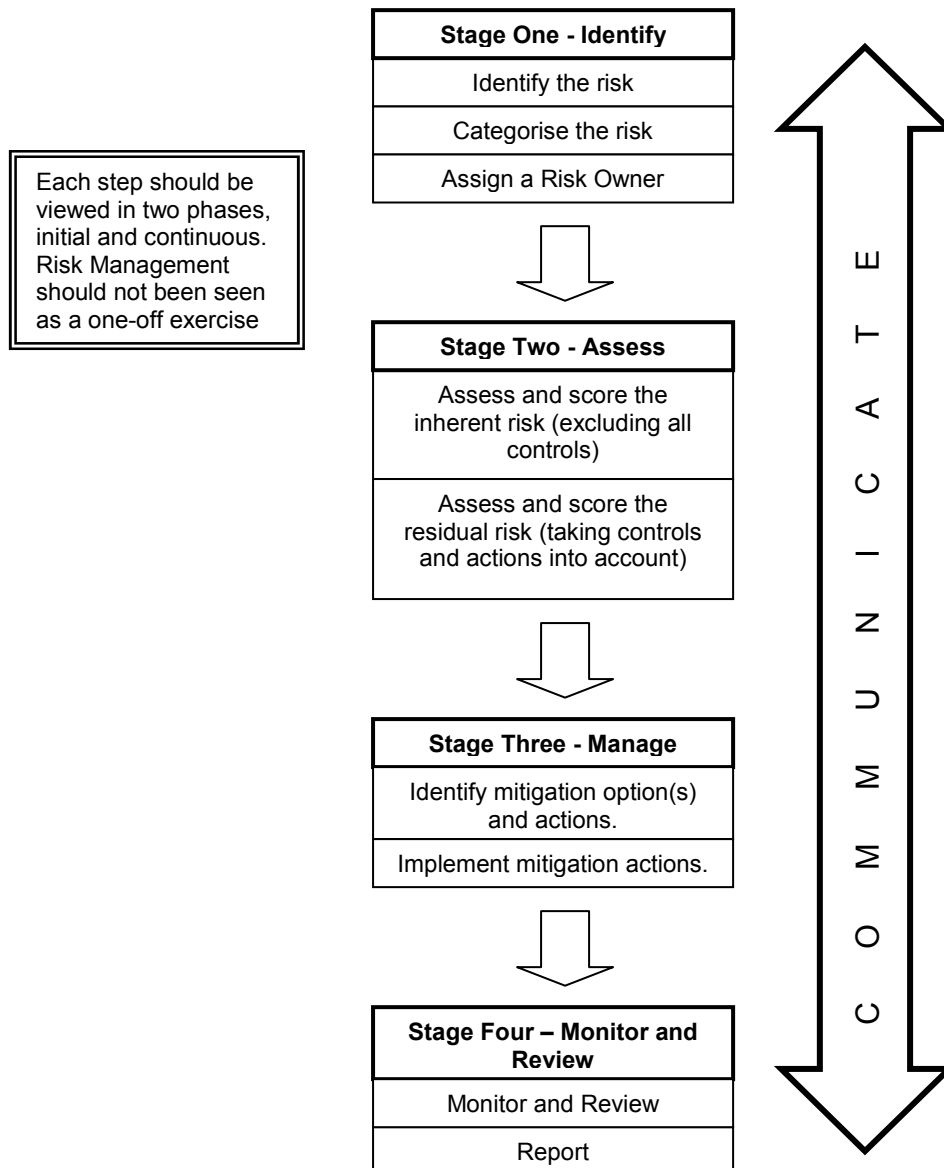
2.3 Risk Management Hierarchy

To assist in aligning risks to the Council’s objectives and in defining specific roles and responsibilities, the Council has adopted a hierarchical approach to managing risk.



2.4 Risk Management Methodology

There are four generic stages to the management of risk. The Council's approach to each of these stages is set out in detail in the Risk and Business Continuity Management Handbook.



The Council's Risk Management process is supported by a specialist software package that simplifies the recording, reviewing and reporting on the Council's risks. Training on the risk management software is available to Risk Owners and Risk Coordinators.

2.5 Risk Appetite

Recognising that the Council cannot manage all risks, scoring helps to prioritise each risk enabling the Council to understand where time and resources should be focussed.

One of the key stages for the successful implementation of a risk management framework is the need to define the Council's 'risk appetite'. A definition of 'risk appetite' is the level of residual risk the Council is willing to accept in order to achieve its corporate objectives.

The risk appetite can be defined as a boundary (see tables 1 and 2 below), above which we will not accept the level of residual risk. Any residual risk scoring above the line exceeds the acceptable tolerance level and further work needs to be done to effectively manage this risk.

Table 1: Risk appetite boundary (marked with bold line)

Impact	Catastrophic	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Rare	Unlikely	Possible	Likely	Almost certain
		Probability				

Table 2: Risk appetite as it relates to residual risk score

Needs updating following Management Board Strategic Risk workshop

Overall Residual Risk Score	RISK APPETITE	
20-25	Unacceptable level of risk exposure which requires <i>immediate corrective action to be taken or referral to next level</i>	EXCEEDS OUR RISK APPETITE
12-16	Unacceptable level of risk exposure which requires <i>constant active monitoring, and measures to be put in place to reduce exposure and/or referral to next level</i>	
5-10	Acceptable level of risk exposure subject to <i>regular active monitoring measures</i>	WITHIN OUR RISK APPETITE
3-4	Acceptable level of risk exposure subject to <i>regular passive monitoring measures</i>	
1-2	Acceptable level of risk exposure subject to <i>periodic passive monitoring measures</i>	

The Council aims to fully integrate its approach to risk management across all services and activities. Using existing systems of internal control, there are a number of routine management processes that support, and are supported by, the Council's risk management approach. The key processes are detailed in Table 3 below:

Table 3 Existing Systems of Internal Control

Service Planning	Corporate plan, service plans, service improvement plans, team plans.
Financial planning and management	Medium term plans, Annual Budgets, Grant Applications, Capital Appraisals, Value For Money framework.
	Cabinet Reporting, Overview and Scrutiny Reports.
Performance Management	Corporate Performance Reviews.
Annual Appraisals and personal development	Training, Mentoring, Appraisals, One-to-one sessions.
Partnership Plans	Community Strategy, Local Area Agreement.
Audit	Recovery plans, Audit programme planning, Audit Committee, Internal and External Audit functions.
Strategic plans	Equalities Scheme, Customer Services, HR – Enabling Success Through People, ICT Strategy, Economic & Regeneration Strategy.
Project Management	Project Initiation Documents, Project Risk Registers.

3. Business Continuity Management

One response available to Managers to reduce the impact a risk may have if it occurs is the preparation of business continuity plans. This is of particular importance to Local Authorities who have an obligation to maintain critical services in the event of a major disruption.

3.1 Introduction to Business Continuity Management

Business Continuity Management (BCM) is the process that supports the Council in delivering its critical services and functions in the event of an unexpected emergency or disruption. The purpose of BCM is to provide the Council with a framework of procedures and plans that will assist in the recovery of its key functions as quickly as possible and practicable. This ensures the Council can respond to an emergency proactively, with a well planned and tested response rather than a reactive ad-hoc response.

BCM forces Managers to consider how they would deliver their service in light of the most disruptive emergency, enabling them to recover their critical functions and services within the agreed timescales.

3.2 Business Continuity Approach

A Council-wide Business Impact Assessment has been undertaken to identify critical functions, however subsequent changes to service areas and activities will require each service area to reconsider their critical functions before developing Business Continuity Plans. A copy of the output from the initial Business Impact Assessment is included in appendix D.

The Risk and Business Continuity Management Handbook details the approach the Council has adopted to business continuity management. In essence there are six key steps:

Identify Critical Functions - The first step in the process is to identify which functions are critical to the Council i.e. those that need to be up and running within a short period of time immediately following an incident. This stage helps to identify which services/activities need to have a Business Continuity Plan developed.

For consistency the following timings are to be used to define the level of critical function.

- 0 – 24 hours - Critical Function 1 (CF1)
- 1 – 3 days - Critical Function 2 (CF2)
- 3 – 7 days - Critical Function 3 (CF3)
- > 1 week – not a Critical Function (NCF)

Resources - Consider the type and level of resources required to maintain the critical activities within the timescales specified above i.e. premises, people, technology, communications, suppliers, information, transportation.

Risk and impact - To help us understand where we should focus our risk management activities, it is important for us to understand the type of risks that could occur, how probable they are and what the impact and disruption could be on your services. This will be undertaken as part of the routine risk management activities.

Strategy for managing the risk – This step will be undertaken as part of the routine risk management activities.

Development of Business Continuity Plans – A Business Continuity Plan should be developed for each Critical Function, setting out how the strategy above will be delivered. A decision will need to be taken on whether a plan is developed by Service area or Critical Function. Start with the most critical services first i.e. those defined as a CF1 or CF2. An outline of the key headings to be included in all Business Continuity Plans, along with a Business Continuity Plan Template, is included in the Risk and Business Continuity Management Handbook.

Testing and exercising – A Business Continuity Plan cannot be considered reliable until it has been exercised and tested. Valuable lessons will be learnt during an exercise drill that can be recorded as lessons learnt and changes incorporated within the plan. Exercises can be discussion or desktop based or a live exercise.

4. Roles and Responsibilities

Successful risk management is the responsibility of all employees and Members of the Council and it is vital that everybody understands the role they play in managing the Council's risks.

The Council's Audit Committee is the lead Member body and the Director of Finance and Support the lead Officer responsible for risk management within the authority.

Specific roles and accountabilities are detailed in table 4 below. Those with specific responsibilities will be briefed on their roles to gain commitment to and approval of the responsibilities. As natural staff and Member turnover occurs, the Risk Manager will ensure individuals new in post are fully briefed on their responsibilities for risk management.

Table 4 Roles and Responsibilities

Who	Responsibilities
Audit Committee	<ul style="list-style-type: none"> ➤ The Audit Committee is the lead Councillor body responsible for overseeing risk management across the Council. ➤ To nominate a Risk Management Lead Member to report to Audit Committee. ➤ To ensure that the Council operates effective risk management systems. ➤ To report to full Council annually on the effectiveness of the Council's Risk Management framework. ➤ To hold the Management Board accountable for effective risk management across the Council.
Management Board	<ul style="list-style-type: none"> ➤ To review and update the Strategic Risk Register and ensure that mitigating actions are completed. ➤ To champion the effective application of risk management processes and principles across the Council's business systems. ➤ To lead risk management by example. ➤ To review high Strategic and Service level risks monthly. ➤ To invite Heads of Service for an in-depth risk review on a cyclical basis.
Director of Finance and Support	<ul style="list-style-type: none"> ➤ Lead officer responsible for embedding risk management across the Council. ➤ To meet with the Risk Manager quarterly to report on progress and issues relating to the risk management framework.

Cabinet Members	<ul style="list-style-type: none"> ➤ Quarterly review of high risks within their portfolio.
Councillors	<ul style="list-style-type: none"> ➤ To use risk management as a tool to support decision-making. ➤ To raise risk issues and concerns.
Chief Executive and Directors	<ul style="list-style-type: none"> ➤ To review risk registers within their Directorate. ➤ To ensure effective risk management within their Directorate. ➤ To escalate risks for inclusion on the Strategic Risk Register. ➤ To instigate and manage actions to mitigate risks.
Heads of Service	<ul style="list-style-type: none"> ➤ To review and create risk registers within their service area. ➤ To ensure effective risk management within their service area. ➤ To Instigate and manage actions to mitigate risks. ➤ To escalate risks where appropriate.
Project Managers	<ul style="list-style-type: none"> ➤ To identify and manage project level risks. ➤ To escalate risks for inclusion on Service level risk registers ➤ Report high risks to Project Board.
Employees	<ul style="list-style-type: none"> ➤ To escalate information regarding opportunities or threats within their working environment to senior management. ➤ To take steps in everyday work activities to reduce risk. ➤ Report incidents or near misses to senior management. ➤ To create and maintain operational level risk registers as required.
Risk Manager	<ul style="list-style-type: none"> ➤ Report to the Director of Finance and Support on a quarterly basis, on the effectiveness of risk management systems. ➤ Promote risk management throughout the Council ➤ To provide guidance and advice on the Council's risk management approach. ➤ To co-ordinate risk management across the Council. ➤ Arrange and facilitate risk workshops and training exercises. ➤ Maintain and manage a central risk register.

5. Monitoring and Reporting Risk

The table below summarises the frequency, responsibility and purpose of routine monitoring functions and activities.

Table 5 Monitoring and Reporting Functions

Task	Purpose	Who	Frequency
Review and update risk register.	Identify new risks, archive old risks, monitor actions, early warning.	All Risk Owners.	Monthly as a minimum
Strategic Risk Workshop.	Identify new risks. Refresh previous register. Challenge. Lessons learned.	Management Board	Annually
Service Level Risk Workshop	Identify new risks. Refresh previous register. Challenge. Lessons learned.	Heads of Service	Annually
Review of high-level Strategic and Directorate risks	Challenge, input and for information.	Management Board	Monthly
Service Level risk review/Corporate Performance Review	Challenge and input	Heads of Service to Chief Executive or Director	Monthly
Risk Management Framework and Strategy Action Plan Review	Challenge, unblock issues, support	Risk Manager to Director of Finance and Support.	Quarterly
Risk Management Framework and Strategy Action Plan Review	Challenge, unblock issues, support	Audit Committee	Twice a year.

6. Risk Management and Business Continuity Training and Support

As detailed in the Strategy Action Plan, Appendix B, a comprehensive schedule of training activities will be developed. The schedule will cover the training needs of the following groups:

- Council Members as part of the Member Development Programme
- Audit Committee
- Management Board
- Heads of Service
- Risk Owners
- Risk Coordinators

Risk management workshops will be held to produce and review each Risk Register. These will build on previous training exercises and give staff sufficient expertise to produce and maintain their own registers. Ad hoc support will be available from the Risk Manager, and externally, as necessary.

7. Glossary of terms

Business Continuity Plan	A documented set of procedures and information intended to deliver continuity of critical functions in the event of a disruption.
Business Impact Assessment	Identifies and documents the key services and activities; the critical functions required to deliver these; the impact that a disruption of these activities would have on the Council and its customers and the resources required to resume the activities.
Category 1 Responder	A person or body listed in Part 1 of Schedule 1 to the Civil Contingencies Act. Those in Category 1, are those organisations at the core of the response to most emergencies (e.g. emergency services, local authorities, NHS bodies). Category 1 responders are subject to the full set of civil protection duties.
Civil Contingencies Act	The Civil Contingencies Act 2004 establishes a single framework for civil protection in the United Kingdom. Part 1 of the Act establishes a clear set of roles and responsibilities for local responders. Part 2 modernises the emergency powers framework in the United Kingdom.
Critical Function	The functions which must be kept going or rapidly reinstated, at least in part, in the event of any disruption
Impact	Impact is the result of a particular threat or opportunity actually occurring.
Inherent Risk	The exposure arising from a specific risk before any action has been taken to manage it.
Issue	A relevant event that has happened, was not planned and requires management action.
Probability	The evaluated likelihood of a particular threat or opportunity actually happening.
Residual Risk	The risk remaining after the risk response has been applied.
Risk	An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives.
Risk Appetite	An organisation's unique attitude to risk taking.
Risk Cause	A description of the source of the risk.
Risk Event	A description of the area of uncertainty in terms of the threat or opportunity.
Risk Identification	Determination of what could pose a risk.

Risk Management	Systematic application of principles, approach and processes to the tasks of identifying and assessing risks.
Risk Owner	An individual responsible for the management and control of all aspects of individual risks.
Risk Register	A record of all identified risks.
Risk Response	Actions that may be taken to bring the situation to a level where the exposure to risk is acceptable to the organisation.
Strategic risk	Risk concerned with where the organisation wants to go, how it plans to get there, and how it can ensure survival.
Threat	An uncertain event that could have a negative impact on objectives or benefits.

8. References

A Guide to Business Continuity Management in Gloucestershire County Council, 2006.

A Guide to the Corporate Manslaughter and Corporate Homicide Act 2007, Ministry of Justice.

Business Continuity Management Good Practice Guidelines 2008, The Business Continuity Institute.

Cambridge City Council Risk Management Strategy 2007.

How prepared are you? Business Continuity Management Toolkit version 1– HM Government.

Milton Keynes Council Risk Management Process – A Guide 2008.

Management of Risk: Guidance for Practitioners, Office of Government Commerce.

Managing Successful Projects with PRINCE2, Office of Government Commerce.

Northampton County Council Risk Management Protocol May 2008.

Solihull Metropolitan Borough Council Risk Management Strategy March 2008

The Accounts and Audit Regulations 2006.

The Orange Book, Management of Risk – Principles and Concepts.

Appendix A – Council Priorities and Objectives

Our five priorities and underpinning commitments:

- We will help our communities become safer, greener and cleaner
- We will improve housing and health to enhance the well-being of our communities
- We will be a well-managed organisation that puts our customers at the heart of what we do
- We will promote economic development and growth in Northampton
- We will strengthen our commitment to partnership working and engaging with our communities to deliver better outcomes

Further information about the Council's priorities and an Action Plan for the delivery these priorities can be found in The Corporate Plan 2008 – 2011.

Appendix B – Action Plan

Action	Link to Objective	Start Date	Target Completion Date	Responsible Officer
Appoint permanent Risk and Business Continuity Manager or alternative appointment to deliver Risk Management Strategy Action Plan.	1A, 1B	December 2008	February 2009	Head of Finance
Review all Strategic, Directorate and Service Level Risk Registers.	1A	November 2008	January 2009	Management Board, Directors, Heads of Service
Create and advertise annual programme of risk workshops.	1A	March 2009	May 2009	Risk Manager
Facilitate a move to Performance Plus for risk reporting and monitoring.	1C	December 2008	April 2009	Risk Manager in conjunction with Performance Plus Project Manager
Contact all Officers and Members who have specific Risk or Business Continuity responsibilities to explain roles and responsibilities.	1D,1E	January 2009	February 2009	Risk Manager
Create a programme of risk and business continuity management training and support.	1B,6	February 2009	February 2009	Risk Manager
Create an intranet page for Risk and Business Continuity Management.	8	January 2009	March 2009	Risk Manager in conjunction with IT Team.
Create a risk escalation process.	7	October 2008	October 2008	Risk Manager
Create Business Continuity web page on NBC's internet site for the business community.	3	April 2009	May 2009	Risk Manager in conjunction with IT Team.

Contact all 'leads' for NBC partnerships to review existing registers and offer risk workshops where required.	2	January 2009	February 2009	Risk Manager
Create Business Continuity Plans for all Critical Functions within the Council.	3, 4	December 2008	April 2009	Relevant Heads of Service.
Create a schedule of routine testing and review of Business Continuity Plans.	5	November 2009	December 2009	Risk Manager
Test all Business Continuity Plans.	3, 5	May 2009	November 2009	Relevant Heads of Service.
Update Corporate Business Continuity Plan	4	December 2008	March 2009	Risk Manager

Appendix C – Example Risk Register

The Council's risk register corresponds to the entry fields in the risk management software.

ID	Category	Risk Owner	Risk Cause (as a result of)	Risk Event (there is a risk that)	Risk Impact (which may result in)	Inherent Risk Scores (assume no controls)			Mitigation Actions and Controls	Residual Risk Scores		
						Impact (1-5)	Probability (1-5)	Score I x P		Impact (1-5)	Probability (1-5)	Score I x P

Appendix D – Output from Business Impact Assessment

Add following Management Board approval

Appendices



Item No.]

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	COUNCIL DEBT
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	2 nd December 2008
Policy Document:	No
Directorate:	Finance & Support
Accountable Cabinet Member:	Councillor Malcolm Mildren

1. Purpose

- 1.1 To outline to the Audit Committee the overall movement in movement in debt and bad debt provision between 2006/07 and 2007/08.

2. Recommendations

- 2.1 That the report be noted;
- 2.2 That the Audit Committee consider whether there are additional queries arising from this report and whether the Committee requires additional information on any specific aspects.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Audit Committee at its meeting of 24th June 2008 requested that a number of reports be produced and presented to the Committee at a future meeting.
- 3.1.2 Overall the level of debt carried by the Council remains broadly similar between the two years. However, the make-up of that debt and the level of bad debt provision relating to that debt has changed. A summary of this is shown at Appendix 1.

3.2 Sundry Debtors

- 3.2.1 The overall level of debt has reduced by £1.5m from £6m in 2006/07 to £4.5m in 2007/08. Over the same period, the bad debt provision has risen by £2m from £1.2m in 2006/07 to £3.2m in 2007/08.
- 3.2.2 Within these figures, there have been some major changes. Specifically an increase in the reported level of housing benefit overpayment debt and a reduction in debt relating to the cessation of trading within the Highways service and the sale of the trade waste operation.
- 3.2.3 The changes in the reported level of housing benefit debt relates to additional reporting information becoming available from the Council's Housing Benefits system for 2007/08 compared to 2006/07. There are some inconsistencies in this reporting which are under investigation and due to these, plus the nature of the debt making it hard to collect, a decision was taken to set the bad debt provision at 100% in order that there was no overstatement of collectible income due to the Council for the 2007/08 financial year. There is a separate report on housing benefits overpayments on this agenda.

3.3 Local Taxpayers

- 3.2.1 The level of debt outstanding has fallen by £365k between 2006/07 and 2007/08 whilst the level of bad debt provision against that debt has increased by £210k. This situation has occurred due to the aging profile of the debt. This is linked to the collection fund debtor considered below.

3.4 Housing tenants

- 3.4.1 The level of debt outstanding has risen by £775k between 2006/07 and 2007/08 whilst the level of bad debt provision against that debt has increased by a slightly higher amount of £873k.
- 3.4.2 The reason why the provision has risen by more than the level of debt due is related to the categorisation of debt – it appears that the primary increase in debt relates to former tenant arrears. Due to the nature of former tenant debt, it is harder to collect than debt relating to current tenants. This debt therefore attracts a higher bad debt provision. Audit Committee requested detailed information on housing tenant debt at its meeting of 24th June 2008. There will be a separate report on housing rents on this agenda which is to follow.

3.5 Collection Fund

- 3.5.1 The balance on the collection fund is reported in the accounts according to whom that balance is due to or from. Balances due to / from Northampton Borough Council remain in the accounts as a collection fund balance. Balances due to / from Northamptonshire County Council and Northamptonshire Police Authority are represented as debtors or creditors.
- 3.5.2 Deficits on the collection fund can arise for a number of reasons:
- The tax base has been set too high;
 - The assessment of the collectable level of council tax debt is overly optimistic; and / or
 - The Council is not robust enough in its collection procedures.

3.5.3 The reason for the deficit within 2007/08 appears to have arisen because of an increase in provision due to the aging profile of the debt combined with an overly optimistic assessment of the collectible levels of council tax debt dating back some 6 or 7 years.

3.5.4 There is a separate report on Local Taxpayers debt on this agenda.

4. Implications (including financial implications)

4.1 Policy

4.1.1 Not applicable.

4.2 Resources and Risk

4.2.1 Overall the level of debt carried by the Council remains broadly similar between the two years. However, the make-up of that debt and the level of bad debt provision relating to that debt has changed. A summary of this is shown at Appendix 1.

4.2.2 Non-recovery of debt has an adverse impact on the Council's revenue position.

4.3 Legal

4.3.1 Not applicable.

4.4 Equality

4.4.1 Debt is normally owed by some of the more vulnerable residents and more robust recovery methods would inevitably have an impact on them.

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 None

Report Author: Bill Lewis, Assistant Head of Finance, Tel 01604 837167

Debt and related bad debt provision

	2006/07		2007/08		Variance	
	<u>Debt</u>	<u>Provision</u>	<u>Debt</u>	<u>Provision</u>	<u>Debt</u>	<u>Provision</u>
Sundry debtors	6,037,773	1,222,485	4,587,515	3,245,989	-1,450,258	2,023,504
Government Depts	9,834,039	0	9,967,751	0	133,712	0
Other Public Authorities	1,826,951	0	1,949,560	0	122,609	0
Local taxpayers	10,918,786	3,594,980	10,553,791	3,808,660	-364,995	213,680
Housing tenants	3,515,913	1,503,546	4,291,184	2,376,559	775,271	873,013
Loans to employees	36,279	0	15,269	0	-21,010	0
Collection Fund	0	0	797,452	0	797,452	0
TOTALS	32,169,741	6,321,011	32,162,522	9,431,208	-7,219	3,110,197

**Analysis of
Bad Debt Provision**

	2006/07	2007/08	Variance
	£		
NNDR	145,720	201,300	55,580
NNDR Court Costs	2,560	1,260	-1,300
Council Tax	3,240,300	3,373,000	132,700
Council Tax Court Costs	206,400	233,100	26,700
Local Taxpayers	3,594,980	3,808,660	213,680
HRA	1,503,546	2,376,559	873,013
Housing Tenants	1,503,546	2,376,559	873,013
Loan - Roadmender	31,990	31,990	0
Agency Service	56,539	56,539	0
S43	3,489	3,489	0
Northgate Benefit O/pay'ts	615,228	2,335,815	1,720,587
Bad Debt General	515,239	818,156	302,917
Other	1,222,485	3,245,989	2,023,504
TOTAL	6,321,011	9,431,208	3,110,197

Appendices



Item No.]

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	BENEFIT OVERPAYMENTS DEBT REPORT
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	2 nd December 2008
Policy Document:	No
Directorate:	Finance & Support
Accountable Cabinet Member:	Councillor Malcolm Mildren

1. Purpose

- 1.1 The Audit committee at its meeting of 24 June 2008 asked for a report providing for an overview of debt levels, types of debt and outlining progress in debt collection in this area.
- 1.2 This report sets out the current position with respect to the overpayments raised, the rates of collection achieved and an analysis between overpayments caused.

2. Recommendations

- 2.1 That the contents of the report be noted and that Officers use all the legal recovery options available for recovery of Housing Benefit overpayments.

3. Issues and Choices

3.1 Report Background

- 3.1.1 This report explains benefit overpayments and sets out the position with regard to outstanding debt as of 31 July.

Latest figures will be supplied as an appendix to Members at the time of the meeting.

- 3.1.2 Overpayments are generally caused because claimants fail to notify the Council of changes to their circumstances. As a Social Security Benefit administered by the Council we have extensive, but tightly controlled powers to recover overpaid Housing and Council Tax Benefit.

Housing and Council Tax Benefits are, by their nature, also paid to the poorest and most vulnerable in the Community. This has a limiting effect on the ability of the Council to recover all overpaid benefits.

3.1.3 Overpayment Subsidy

In recognition of the difficulties recovering overpaid benefits the DWP pay Local Authorities a reduced level of subsidy to provide both an incentive to recover overpayments where lawful to do so and in part to offset the loss to the Council Tax payer caused by the inherent difficulty there is in recovering these overpayments.

Councils keep all of overpayment subsidy payable, even if they recover the full overpayment from the debtor. In order to ensure no loss to the Council Tax payer, overpayment recovery should be around 60% of the debt raised.

Ordinarily, Housing Benefit subsidy is payable at 100% of expenditure.

The text below details subsidy payable in respect of overpaid benefit.

3.1.4 **DWP Error** **100%**

Overpayments caused because the DWP or HMRC provided incorrect information about the circumstances of a claimant. These debts are generally not recoverable, which is why they are fully subsidised by the DWP.

3.1.5 **LA Error** **either 0%, 40% or 100%**

These errors are caused because the Council delayed taking action on a change or made a mistake when processing a claim.

This type of overpayment has incentives to keep the level of errors caused by the Local Authority down and also to reflect that an element of LA Error is inevitable.

If LA Error falls below 0.48% of benefit expenditure 100% subsidy is payable.
If LA Error is below 0.54% of benefit expenditure 40% subsidy is payable.
If LA Error increases to any amount above 0.54% of expenditure no subsidy is payable.

The Benefits Service closely monitors this area of expenditure and as a result our expenditure in this area meets the conditions for 100% subsidy.

3.1.6 **Other / Claimant Error / Fraud** **40%**

This is the most common type of overpayment caused by Landlords or claimants failure to notify changes of circumstances.

3.1.7 Performance

Debts Raised

In 2005 / 06 as a consequence of the Bedford Partnership, the Benefit Service implemented a new Revenues and Benefits system. Debts were left on the old system, IRAS.

Old debts become increasingly difficult to recover. Private Tenant benefit claimants are highly transient and move across Local Authority boundaries. Due to the short term nature of many of their tenancies they are also unlikely to go on the electoral register. This makes the process of locating them expensive as often Tracing Agents need to be employed. Once located, it is often common for the debtor to have no assets to enforce the debt against.

As a direct result of the partnership with Northgate Kendric Ash, the level of LA Error has reduced considerably. As a result of clearing the backlog of claims that became associated with the Housing Benefit Service, claimants notify changes much earlier and these changes are processed much quicker. This helps to ensure prompt recovery action.

Table 1 details the cost of LA Error to the local taxpayer and highlights the significant improvements that have been made in recent years.

	Non HRA	HRA	Private Tenants	CTB	Total	Cost to the LA
2004/05*	5,212	271,992	245,724	250,422	773,350	£773,350
2005/06*	72,459	229,961	277,051	130,557	710,028	£710,028
2006/07	13,450	58,586	113,048	63,715	248,799	£99,519
2007/08	6,977	66,406	112,801	45,674	231,858	0.00

*Audited Figures

The improvements made to the Benefit Service have led to a large reduction in the level of LA Error overpayments.

Table 2 shows the comparative figures for Claimant Error raised in 2007/08, caused by the claimant or their landlord failing to promptly notify us of a change in circumstances, whether fraudulently or otherwise.

Claimant Error Overpayments	
Council Homeless (Non HRA)	£29,763
Council Tenant (HRA)	£572,245
Private Tenant (PT - General Fund)	£573,508
Council Tax Benefit	£347,256
Total	£949,264
% of expenditure	1.7%

3.1.8 Debts Recovered.

The Benefit Fraud Inspectorate was generally complimentary about the benefit service in their November 2006 report. They did however identify a number of

issues with regard to debt management. Officers have been pro-active in resolving those issues.

3.1.9 BFI Recommendations November 2006

- Recovery had remained inactive and as a result the overall level of debt was increasing and rigorous recovery methods were not being pursued.
- Set and monitor targets to reduce the level and age of debt, and reports performance to Members and senior officers
- Target old and large debt or to examine the effectiveness of its recovery processes.
- Setting targets that aim to reduce the level and age of debt, as well as monitoring and managing its recovery.
- Regular reporting to, and monitoring by, Members and senior managers will focus the council's efforts to recover public funds
- The implementation of overpayment policies and procedures had helped in the prompt identification of overpayments but the council was not yet providing an effective or efficient recovery process.
- Urgently consider the amount of inactive debt and review working practices to ensure that all available recovery methods are being utilised.

3.1.10 In response, the Benefit Service has employed a permanent Benefit Overpayments Officer to monitor and control overpaid benefit.

In addition the new staffing structure agreed by Members transfers the whole responsibility of overpayment recovery to Finance and more specifically the Revenues and Benefits Service.

Overpayments are managed to ensure that where claimants become entitled to benefit again, the system automatically starts clawback of the overpayment where a balance is still outstanding.

Our Performance in 2007/08 still suffered as a result of the legacy of old debts remaining on the IRAS system and poor management of the Northgate system on implementation.

3.1.11 2007/08 Performance

Starting Balance	£2,334,735
(of which Northgate debt)	£1,880,898
(of which IRAS debt)	£453,838
Total Overpayments Raised	£1,692,806
Total recovered on Northgate	£1,118,796
Total recovered through IRAS	£73,318
Amounts written off	£140,339
(of which IRAS)	£43,982
(of which Northgate)	£96,357

3.1.12 2008/09 Performance (to Quarter ending June 2008))

Starting Balance	£2,374,699
(of which Northgate debt)	£2,056,739
(of which IRAS debt)	£317,960
Total Overpayments Raised	£823,569
Total recovered on Northgate	£544,727
Total recovered through IRAS	£21,995
Amounts written off	£61,548
(of which IRAS)	£0
(of which Northgate)	£61,548
% Recovered	68.8%

As can be seen significant progress is being made in collecting this debt and the Borough is achieving over 60% that ensures that the local taxpayer is not meeting the cost of this recovery. There continues to be an increase in the overall arrears, which will happen if recovery rates do not exceed 100%.

It should be noted that within these figures are a significant number of cases where clawback is in operation. These cases recover at a low weekly rate (up to a statutory maximum of £9.15 per week). This therefore means recovery can and does take a prolonged period of time, and reduces the amounts that appear to be collected within the financial year.

The Benefit Service and the Council Income Team is however achieving a recovery rate of 68% of overpaid benefit raised during the year.

3.2 Issues

- 3.2.1 A substantial amount of the debt recorded on the old IRAS benefit system is now quite old and as a result it is unlikely that it will be recovered. Overpayments that are or are near time bars for collection will need to be written off. The Council has already provided for this factor in its bad debts provision and arrangements are being made to deal with this, whilst ensuring that the loss to the Council taxpayer is minimised.
- 3.2.2 The Revenues and Benefits Service have proven themselves to be effective at debt recovery and the experience gained by effectively managing Council Tax collection will be employed to better manage overpaid benefits.
- 3.2.3 It is of critical importance to pursue debts while they are still relatively new and in those circumstances we may be able to recover the debt even if this is by way of clawback.
- 3.2.4 The Council must clearly identify non payers and adapt the processes of recovery to effectively manage those who can repay the debts to the Council but choose not to and those who are actually unable to repay.

3.2.5 Officers are keen to utilise all the legal recovery options available for recovery of Housing Benefit overpayments, including the use of accelerated County Court judgments and the enforcement of joint and several liability.

3.3 Choices (Options)

3.3.1 The Council can pursue further methods of debt recovery. An indication is required from Audit Committee of the extent of recovery action that is acceptable to the Council.

4. Implications (including financial implications)

4.1 Policy

4.1.1 Not applicable.

4.2 Resources and Risk

4.2.1 Non recovery of debt has an adverse impact on the Council's revenue position.

4.3 Legal

4.3.1 The Housing Benefit scheme is operated in accordance with statutory provisions contained in the Social Security Contributions and Benefits Act 1992 and Statutory Instruments that make up the Housing Benefit (General) Regulations 2006 (as amended).

4.4 Equality

4.4.1 Benefit Overpayment debt is owed by some of the more vulnerable residents, however, more robust recovery methods can only be pursued once an individual is no longer on benefits, normally because they are in employment.

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 None

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Appendices



NORTHAMPTON
BOROUGH COUNCIL

Item No.]

AUDIT COMMITTEE REPORT

Report Title	COUNCIL TAX DEBT REPORT
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	2 nd December 2008
Policy Document:	No
Directorate:	Finance & Support
Accountable Cabinet Member:	Councillor Malcolm Mildren

1. Purpose

- 1.1 The Audit committee at its meeting of 24 June 2008 asked for a report providing for an overview of debt levels, types of debt and outlining progress in debt collection in this area.
- 1.2 This report sets out the current position with respect to the debt raised and associated arrears, bad debt provisions, and a comparison of estimated to actual council tax base.

2. Recommendations

- 2.1 That the contents of the report be noted.

3. Issues and Choices

3.1 Report Background

- 3.1.1 This report explores aspects of Council Tax Collection and arrears with regards to the overall position as at 31st October 2008.

3.2 Analysis of Council Tax Arrears

- 3.2.1 The monthly recovery cycle progressing accounts from billed, to reminder/final notice, to summons, to liability order, to 14-day letter is being delivered in accordance with targets and this has resulted in improved current year

collection rate (See Annex 1). This is under-pinned by day 1 received, day 2 cleared processing when dealing with correspondence and queries. The number of summons issued, as compared to last year, has reduced, although the level of potential activity has increased. This would suggest that we started to change our customer's behaviours.

- 3.2.2 Arrangements to pay, Attachments of Benefits and Earnings are monitored monthly to ensure payments are received as agreed, otherwise prompt further action is being taken. We recently took action to pursue two employers through the Magistrates Court for non-compliance with deductions from earnings orders, which NBC has never done before, who have now changed their behaviours.
- 3.2.3 Accounts are now referred to Bailiffs to collect in a more timely fashion, 14 days warning, means 14 days! There is a large amount of debt sitting at this stage and the two current companies are being performance managed to maximise income. Work is currently being undertaken to reduce the number of cases held over 13 weeks, with no payments being received, to either re-refer, or take alternative action.
- 3.2.4 Trace and collect is undertaken by a specialist third bailiff company, where debt hasn't been successfully recovered by the other two, recovery rates are low and debt tends to be written-off at a later date. The current bailiff contract is due for renewal shortly and the level of reward element to the bailiff company needs to be explored.
- 3.2.5 The debt awaiting further action is primarily waiting to be reviewed prior to taking either bankruptcy, committal or issuing charging orders. This is resource intensive and following the improvements and efficiencies made in the earlier stages of the recovery process, focus is now turning to this debt.
- 3.2.6 Two customers have been made bankrupt for non-payment of Council Tax, a third was adjourned and paid from the sale of a second property. We have a number of other cases either adjourned by the court, with promises to pay, or awaiting court dates. This action is currently yielding about 20% recovery rate, but it is early days yet to confirm this will always be the case. Progress has been hampered by a lack of legal support and to resolve this, an outside company is currently being sourced to support future activity.
- 3.2.7 We are due meet with the Chief Clerk of the Magistrates Court on the 17th September, with a view to taking new committal cases to court. Historically there has been a reluctance to provide court time, as it is resource intensive for all parties and recovery rates are low, especially as there is little chance of imprisonment. As the customers who may be subject to this type of action are generally aware of this, we have re-engineered our process to maximise impact.
- 3.2.8 We have never pursued Charging Orders before, however we have prepared 7 cases, which have been submitted to Legal for review. The process is relatively straight forward, however payment can often take years before it is realised, hence a historic reluctance to take this route. We will need to

consider in the medium term, at what point the council feels that it will be appropriate to force sale.

- 3.2.9 Pending write-off are cases at the end of their journey and are processed on a monthly basis in accordance with agreed procedures.

3.3 Bad debt provision and write-off levels

- 3.3.1 In comparison between 2006/07 and 2007/08, the overall debt level has reduced, but debt over five years old has aged, the reductions in the outstanding debt in the five most recent years was not at a level to avoid an increase in the bad debt provision (See Annex 2).

- 3.3.2 If a similar exercise is undertaken for 2007/08 and 2008/09, using figures available as at 16.11.08 and assuming an inflationary increase in current year arrears being carried forward, the provision for bad debt would need to be increased by a further £136k. It is expected that this figure will reduce to an increase of £89k by the end of November and this figure will continue to reduce as we move towards the end of March 2009. It also highlights the need for further attention on debts aged three and four years old.

- 3.3.3 The data to years prior to 06/07 is not of sufficient detail to allow detailed analysis, however it is likely that write-offs against historic debt have been higher than the assumed level of uncollectible debt (i.e. the 1.5% built into the Council Tax base calculation for the current year). It would appear that the total of bad debt provisions and write-offs is higher than the level built in to the council tax collections for previous years.

- 3.3.4 It should be noted that the assumed collection rate figure used for 04/05 and prior was 99%. There is no evidence to suggest that this collection rate has been achieved for those years.

- 3.3.5 The figure of 98.5% has been used since 05/06, and that was reduced from 99%, due to a deficit on the collection fund. The indications are that this may have to be reduced for future years.

3.4 Comparison between Tax Base and Government Return

- 3.4.1 The comparison between the tax base and government return (ctb1), which is completed the following October, is not a perfect comparator, as the financial year still has five and a half months to run. However, it is consistent and the impact of individual new properties on the ctb1 tends to reduce as the financial year progresses (See Annex 3). A small shortfall is not necessarily a concern.

- 3.4.2 The figures used for the ctb1 information are an extract taken from our database at a specific date, usually in October, and with Valuation Officer adjustments at a specific date, usually a fortnight earlier.

- 3.4.3 The figures used for the Tax Base as at the 30th November of each year, plus an estimate of future new build and a collection rate applied, in our case 98.5%. In 04/05 and 05/06 the figures supplied by the builders were overly

confident, however we now monitor how realistic these estimates are, and make any necessary adjustment.

3.4.4 The assumed collection rate figure used for 04/05 was 99%, not 98.5%.

3.5 Choices (Options)

3.5.1 The Council can pursue further methods of debt recovery. An indication is required from Audit Committee of the extent of recovery action that is acceptable to the Council.

4. Implications (including financial implications)

4.1 Policy

4.1.1 Not applicable.

4.2 Resources and Risk

4.2.1 Non recovery of debt has an adverse impact on the Council's revenue position.

4.3 Legal

4.3.1 Setting and collecting Council Tax operates with strict legal boundaries.

4.4 Equality

4.4.1 Council Tax debt can be owed by some of the more vulnerable residents.

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 None

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Analysis of Council Tax Arrears as at 31.10.08												Annex 1
	upto/inc 99	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total	
Bill/Not Billed	883.66	1,841.54	2,227.19	3,823.48	-69,398.64	-125,329.88	-130,920.30	-128,144.31	-338,094.09	19,461,714.36	18,678,603.01	
Reminder	0.00	26.47	825.25	3,167.64	5,036.98	7,484.22	33,017.81	40,274.91	75,450.42	2,369,673.87	2,534,957.57	
Final	0.00	0.00	242.12	0.00	0.00	207.65	1,098.94	1,308.06	3,567.14	247,775.63	254,199.54	
Summons	0.00	18.38	146.96	165.51	579.57	1,307.77	5,858.26	11,029.23	29,150.40	454,197.67	502,453.75	
Liability Order	0.00	0.00	0.00	0.00	0.00	0.00	28.60	0.00	258.83	850.24	1,137.67	
14 Day Letter	0.00	0.00	0.00	178.24	1,033.22	3,597.07	6,667.75	13,634.64	29,742.75	235,616.04	290,469.71	
Arrangement to pay	0.00	1,242.77	4,253.42	10,682.24	14,578.49	22,102.29	35,693.64	52,604.35	92,269.58	862,516.06	1,095,942.84	
AOB	0.00	5,323.57	17,991.17	43,969.01	51,996.78	60,094.08	85,239.77	106,878.59	127,972.66	37,078.43	536,544.06	
AOE	0.00	1,654.18	3,277.35	8,376.82	11,403.92	17,715.91	23,826.77	47,499.13	111,910.47	339,977.68	565,642.23	
Bailiff Action	172.32	18,237.61	50,120.20	71,088.02	108,667.50	198,899.37	373,117.92	737,348.27	1,376,901.41	1,842,741.08	4,777,293.70	
Trace & Collect	517.73	28,756.90	67,977.69	135,272.60	195,283.25	264,654.90	490,613.80	551,312.79	338,005.48	57,914.26	2,130,309.40	
Awaiting further action	393.98	8,857.81	25,256.21	54,585.55	81,418.51	120,304.07	156,184.92	154,910.72	90,784.58	29,764.93	722,461.28	
Bankruptcy	0.00	1,160.80	3,014.15	12,281.45	17,598.42	22,001.14	32,026.02	38,889.82	44,026.48	26,468.22	197,466.50	
Committal	757.80	33,359.57	52,874.68	60,253.60	26,668.92	0.00	0.00	0.00	0.00	0.00	173,914.57	
Charging Orders	0.00	1,757.25	2,642.74	3,033.68	5,006.14	10,856.13	12,728.40	13,387.09	16,901.47	12,761.39	79,074.29	
Pending Write-off	39.30	2,885.29	2,620.02	8,262.22	19,471.21	23,725.70	45,340.70	80,357.46	77,405.67	7,175.03	267,282.60	
Total	2,764.79	105,122.14	233,469.15	415,140.06	469,344.27	627,620.42	1,170,523.00	1,721,290.75	2,076,253.25	25,986,224.89	32,807,752.72	
Pre-summons	883.66	1,868.01	3,294.56	6,991.12	-64,361.66	-117,638.01	-96,803.55	-86,561.34	-259,076.53	22,079,163.86	21,467,760.12	
Post-summons	1,881.13	103,254.13	230,174.59	408,148.94	533,705.93	745,258.43	1,267,326.55	1,807,852.09	2,335,329.78	3,907,061.03	11,339,992.60	
Total	2,764.79	105,122.14	233,469.15	415,140.06	469,344.27	627,620.42	1,170,523.00	1,721,290.75	2,076,253.25	25,986,224.89	32,807,752.72	
Difference	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Managed Debt												
Bill/Not Billed	883.66	1,841.54	2,227.19	3,823.48	-69,398.64	-125,329.88	-130,920.30	-128,144.31	-338,094.09	19,461,714.36	-783,111.35	
Reminder	0.00	26.47	825.25	2,599.74	5,036.98	7,285.23	31,357.28	39,215.34	69,576.20	1,856,409.94	155,922.49	
Reminder2	0.00	0.00	0.00	567.90	0.00	198.99	1,660.53	1,059.57	5,874.22	513,263.93	9,361.21	
Final	0.00	0.00	242.12	0.00	0.00	207.65	1,098.94	1,308.06	3,567.14	247,775.63	6,423.91	
14 Day Letter	0.00	0.00	0.00	161.79	922.37	3,292.09	6,566.77	13,140.81	28,375.22	231,724.21	52,459.05	
AOB	0.00	5,323.57	17,991.17	43,969.01	51,996.78	60,094.08	85,239.77	106,878.59	127,972.66	37,078.43	536,544.06	
AOE	0.00	708.64	2,034.21	6,024.23	8,589.61	14,681.67	15,247.13	32,199.35	93,328.54	312,316.96	172,813.38	
AOE Hold	0.00	945.54	1,243.14	2,352.59	2,814.31	3,034.24	8,579.64	15,299.78	18,581.93	27,660.72	52,851.17	
CCS	53.22	8,470.98	24,311.11	40,232.91	52,655.57	108,951.66	210,461.50	389,815.72	730,160.47	936,561.24	1,565,113.14	
CCSSplit	0.00	2,214.36	6,520.68	3,452.65	3,527.85	4,467.30	4,576.99	0.00	0.00	0.00	24,759.83	
Charging orders	0.00	509.94	1,354.67	1,516.84	2,068.05	4,568.96	5,704.33	5,215.58	6,514.85	5,489.99	27,453.22	
EquitaSplit	79.80	1,486.93	3,394.15	3,918.38	3,739.12	4,637.24	1,912.47	0.00	0.00	0.00	19,168.09	
Equita	0.00	5,042.04	13,322.26	20,026.64	44,105.23	75,439.93	146,728.42	329,244.69	628,855.71	894,264.76	1,262,764.92	
NBCPetn	0.00	1,143.82	2,157.75	4,543.18	7,342.03	9,086.25	11,913.68	14,390.08	14,812.51	2,071.23	65,389.30	
Phoenix	436.73	26,494.81	55,337.68	83,614.44	118,334.44	211,759.89	463,068.16	530,811.23	302,078.03	36,035.05	1,791,935.41	
Pheosplit	81.00	2,262.09	11,887.49	48,984.61	73,248.15	48,840.96	18,482.17	0.00	0.00	0.00	203,786.47	
Reg49	0.00	16.98	0.00	346.55	1,649.19	4,662.32	9,920.62	9,739.77	12,454.71	12,130.50	38,790.14	
Reg50	0.00	1,247.31	1,288.07	1,516.84	2,938.09	6,287.17	7,024.07	8,171.51	10,386.62	7,271.40	38,859.68	
SPA	0.00	1,242.77	4,253.42	10,682.24	14,578.49	22,102.29	35,693.64	52,604.35	92,269.58	862,516.06	233,426.78	
Stat Demand	0.00	0.00	856.40	7,391.72	8,607.20	8,252.57	10,191.72	14,759.97	16,759.26	12,266.49	66,818.84	
Total	1,534.41	58,977.79	149,246.76	285,725.74	332,754.82	472,520.61	944,507.53	1,435,710.09	1,823,473.56	25,456,550.90	5,504,451.31	
%	55.50	56.10	63.93	68.83	70.90	75.29	80.69	83.41	87.83	97.96	80.69	
Not in Control												
Comm Appl	757.80	33,359.57	52,874.68	60,253.60	26,668.92	0.00	0.00	0.00	0.00	0.00	173,914.57	
Comm Pend	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Gant	0.00	0.00	752.52	1,871.08	2,109.48	3,338.30	9,063.47	20,501.56	35,927.45	21,879.21	73,563.86	
GantSplit	0.00	0.00	0.00	802.47	1,591.18	715.75	0.00	0.00	0.00	0.00	3,109.40	
LBA	393.98	8,857.81	25,256.21	54,585.55	81,418.51	120,304.07	154,837.30	151,908.86	85,554.89	21,729.27	683,117.18	
Split Liab order	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Total	1,151.78	42,217.38	78,883.41	117,512.70	111,788.09	124,358.12	163,900.77	172,410.42	121,482.34	43,608.48	933,705.01	
%	41.66	40.16	33.79	28.31	23.82	19.81	14.00	10.02	5.85	0.17	13.69	
Pre-write off process												
Deceased	0.00	0.00	0.00	0.00	0.00	0.00	40.85	96.07	173.83	343.72	310.75	
Wogant	39.30	2,885.29	2,485.63	8,136.69	18,946.01	23,469.93	44,890.76	78,318.54	73,918.51	4,949.31	253,090.66	
Woinsolv	0.00	0.00	0.00	0.00	187.00	141.13	214.79	1,287.49	1,504.61	1,488.52	3,335.02	
Wonce	0.00	0.00	33.77	125.53	0.00	0.00	191.30	382.80	1,156.60	393.48	1,890.00	
Total	39.30	2,885.29	2,519.40	8,262.22	19,133.01	23,611.06	45,337.70	80,084.90	76,753.55	7,175.03	258,626.43	
%	1.42	2.74	1.08	1.99	4.08	3.76	3.87	4.65	3.70	0.03	3.79	
Beware												
Summons	0.00	18.38	146.96	165.51	579.57	1,307.77	5,858.26	11,029.23	29,150.40	454,197.67	48,256.08	
Abroad live	0.00	0.00	0.00	0.00	0.00	0.00	1,347.62	3,001.86	5,229.69	8,035.66	9,579.17	
Bail Ret	39.30	1,023.30	2,572.00	3,457.44	3,895.66	5,403.24	9,438.54	18,287.86	17,885.23	11,915.08	62,002.57	
Bail Ret Split	0.00	0.00	0.00	0.00	744.07	0.00	0.00	0.00	0.00	0.00	744.07	
Liability Order	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Liaborder	0.00	0.00	0.00	0.00	0.00	0.00	28.60	0.00	258.83	850.24	287.43	
Manual 14 day Letter	0.00	0.00	0.00	16.45	110.85	304.98	100.98	493.83	1,367.53	3,891.83	2,394.62	
Settled	0.00	0.00	100.62	0.00	338.20	114.64	3.00	272.56	652.12	0.00	1,481.14	
Written off	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Total	39.30	1,041.68	2,819.58	3,639.40	5,668.35	7,130.63	16,777.00	33,085.34	54,543.80	478,890.48	124,745.08	
%	1.42	0.99	1.21	0.88	1.21	1.14	1.43	1.92	2.63	1.84	1.83	
Difference												
%	1.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Notes												
1. Unsumm for 96-98 will not be summonsed as the system holds no information prior to 1999.												
2. 180.50 for 1999 is a w/on raised to correct a pre Northgate allocation error. The balance of this a/c is at STATDEMAND												

Bad debt provision as at 16.11.08									Annex 2
		31.03.07	31.03.08	16.11.08	prov 07	prov 08	prov 09	difference 07-08	difference 08-09
1 year old	0.08	4,077,137.02	3,267,733.33	3,408,245.86	326,170.96	261,418.67	272,659.67	-64,752.30	11,241.00
2 year old	0.25	2,171,824.49	2,068,457.92	1,735,222.95	542,956.12	517,114.48	433,805.74	-25,841.64	-83,308.74
3 year old	0.40	1,349,206.18	1,472,208.22	1,483,102.62	539,682.47	588,883.29	593,241.05	49,200.82	4,357.76
4 year old	0.60	1,056,302.35	907,927.94	1,033,400.48	633,781.41	544,756.76	620,040.29	-89,024.65	75,283.52
5 year old	0.90	769,116.78	683,707.11	566,252.28	692,205.10	615,336.40	509,627.05	-76,868.70	-105,709.35
6 year old	0.99	346,962.18	487,120.63	419,884.05	343,492.56	482,249.42	415,685.21	138,756.87	-66,564.21
7 year old	0.99	160,931.44	247,382.56	370,272.24	159,322.13	244,908.73	366,569.52	85,586.61	121,660.78
8 year old	0.99	1,635.67	117,782.17	208,682.61	1,619.31	116,604.35	206,595.78	114,985.04	89,991.44
9 year old	0.99	458.98	935.30	91,703.34	454.39	925.95	90,786.31	471.56	89,860.36
10 year old	0.99	395.43	422.75	0.00	391.48	418.52	0.00	27.05	-418.52
11 year old	0.99	68.57	395.43	0.00	67.88	391.48	0.00	323.59	-391.48
12 year old	0.99		68.57	0.00	0.00	67.88	0.00	67.88	-67.88
13 year old	0.99			0.00	0.00	0.00	0.00	0.00	0.00
		9,934,039.09	9,254,141.93	9,316,766.43	3,240,143.82	3,373,075.93	3,509,010.61	132,932.12	135,934.68
Write-off levels									
2003/04	2004/05	2005/06	2006/07	2007/08	2008/09				
589,694.47	700,185.38	474,497.52	89,669.56	1,100,539.20	735,948.08				
If 2004/05 was deemed to be a reasonable level of write-off in a given financial year, and if that level of write-off was maintained in subsequent years, making no adjustment for inflationary rises in Council Tax, or increases in the size of the Tax Base, the following calculation could be made									
Difference	0.00	225,687.86	610,515.82	-400,353.82	-35,762.70	400,087.16			
If this adjustment was made to the oldest debt, for the figures applied as at 16.11.08, it would have the following impact on the bad debt provision.									
				16.11.08	new 16.11.08		prov 09		new difference 08-09
				3,408,245.86	3,408,245.86		272,659.67		11,241.00
				1,735,222.95	1,735,222.95		433,805.74		-83,308.74
				1,483,102.62	1,483,102.62		593,241.05		4,357.76
				1,033,400.48	1,033,400.48		620,040.29		75,283.52
				566,252.28	566,252.28		509,627.05		-105,709.35
				419,884.05	419,884.05		415,685.21		-66,564.21
				370,272.24	270,571.03		267,865.32		22,956.59
				208,682.61			0.00		-116,604.35
				91,703.34			0.00		-925.95
				0.00			0.00		-418.52
				0.00			0.00		-391.48
				0.00			0.00		-67.88
				0.00			0.00		0.00
				9,316,766.43	8,916,679.27	400,087.16	2,845,059.00		-260,151.61

Comparison of Tax Base set, with Government return the following October as at 20.10.08						Annex 3
Tax base set for	Value	Ctb1 Return	Value	Value allowing for 98.5% collection	Difference	Impact on NBC as at October
08/09	65,443	Oct-08	66,629.4	65,630.0	187.0	37,378.82
07/08	64,844	Oct-07	65,855.8	64,868.0	24.0	4,589.25
06/07	64,193	Oct-06	65,137.8	64,160.7	-32.3	-5,912.03
05/06	63,427	Oct-05	64,259.9	63,296.0	-131.0	-22,904.93
04/05	63,021	Oct-04	63,613.3	62,977.2	-43.8	-7,471.61

Appendices



NORTHAMPTON
BOROUGH COUNCIL

Item No.]

AUDIT COMMITTEE REPORT

Report Title	Rent Arrears
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	2 nd December 2008
Policy Document:	No
Directorate:	Finance & Support
Accountable Cabinet Member:	Councillor Malcolm Mildren

1. Purpose

- 1.1 To outline to the Audit Committee the overall position on rent arrears between March 07 and November 08.

2. Recommendations

- 2.1 That the report be noted;
- 2.2 That the Audit Committee consider whether there are additional queries arising from this report and whether the Committee requires additional information on any specific aspects.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Audit Committee at its meeting of 24th June 2008 requested that a number of reports be produced and presented to the Committee at a future meeting.
- 3.1.2 Overall the level of rent arrears carried by the Council has not only stabilised but also shown considerable improvement and is projected to show further significant improvement before 08/09 year end.

3.2 Analysis of Rent Arrears

- 3.2.1 The rent arrears position as at year-end March 2007 was £1.710 million, with declared 2006/7 performance for BVPI66a of 95.93%.

Performance deteriorated during the first quarter of the year, with arrears of £2.024 million at the end of June 2007, a £314k increase.

The Council was in the process of implementing the new IBS OPEN Housing system, and the `go live` date for the rents module had been scheduled for July 2007. Due to technical difficulties the actual `go live` date was put back to October 2007 and two key members of staff (the Rent Income Manager and a senior Rent Income Officer), being seconded to the project team.

- 3.2.2 The Rent Income Team was re-organised, from June 2007 with the implementation of intensive case management. A `large balance` team was formed, dealing with the most serious cases, with other members of the team assigned to deal with lower level cases. Each member of staff was allocated specific work areas, with individual targets for improvement being set.

The Benefits Liaison Officers workload was also re-directed to work to quickly deal with any Benefits queries raised.

The changes had an immediate impact, with arrears levels stabilizing throughout July and August, and IHSL performance reports indicating a reduction to £1.929 million in week 25 (the week prior to IHSL closedown on 26th September 2007).

- 3.2.3 New tenancies were also closely monitored to assess the effectiveness of preventative actions being carried out by Housing Management staff.

Whilst the higher-level arrears reduced as planned in the early stages of the change, there had been a significant increase in new tenancy arrears. In view of this, management checks to test the effectiveness of the preventative work being carried out, including close monitoring of the number of completed housing benefit claim forms received at the commencement of the tenancy. This identified that only 30% of eligible new tenants had made a claim for benefits, whereas around 64% of the weekly rent debit is paid by Housing Benefit. It was apparent, therefore, that rent arrears were accruing right from the beginning of many tenancies, with ineffective support being offered to eligible new tenants to avoid them getting into debt.

In view of this, changes were implemented clearly setting out the duties and responsibilities of the Housing Management and Rent Income teams with regard to rent income management, including appropriate preventative actions.

Following the introduction of these changes, further regular management checks have been carried out, and the number of claim forms received from eligible new tenants has increased to 85%. This has had a positive impact on the new tenancy arrears levels, although further work is required in this area in order to fully comply with the Rent Income KLOE.

- 3.2.4 Problems were also being experienced with the Northampton County Court Judges, in that they were reluctant to grant eviction orders against tenants. This related to their lack of confidence in the effectiveness of measures the Council had in place to help tenants to sustain their tenancies. A meeting was, therefore, held with the Judges on 20th November 2007, where the new working practices and procedures that had recently been put in place were discussed. In particular the Judges were briefed on the improved performance of the Benefits Service; the preventative actions that were planned or being taken and the additional actions taken before a case is submitted for eviction proceedings. The Lord Chancellors Department has recently issued a pre-action protocol that clearly sets out the actions that need to be taken before a case is referred to Court for eviction proceedings, and we needed to convince the Judges that the Council was now effectively carrying out these actions.

Following the meeting, there has been a marked change in the attitude of the Judges. They appear to be more comfortable with the cases now being referred before them, and early indications are that this is resulting in more orders being granted in instances of wilful non-payment.

- 3.2.5 Unfortunately there were problems encountered during the IBS 'go live' period, with the Project Team identifying that outstanding court costs were being counted as current rent arrears within the IBS system, thereby inflating the true arrears position. When the court costs were removed, after a period of 2-3 weeks, the team reported that 'true' arrears levels at IBS start up (week 26) were £2.038 million. The IBS arrears, if accurate, identified an increase of £109k in the space of 1 week, which was unrealistic in real terms.

The Finance team reported IHSL arrears as being £1.961 million in the September BVPI66a calculation, which was also undertaken at IHSL closedown in week 26. So clearly, there was an anomaly between what the 2 systems were reporting.

Following further investigations involving the IBS project team, and Finance, it was agreed that the arrears total of £2.038 million reported by IBS was, in fact, correct. The IHSL system had historically been under-reporting arrears, and this related to cases that were subject to an arrangement being excluded. Performance reported for BVPI66a had, therefore, historically been overstated.

We are now satisfied that the IBS system is correctly reporting all management information.

- 3.2.6 Despite the issues identified above, overall performance has not only stabilised but shown considerable improvement, reducing from £2.038 at end November 2007 to the current position of £1.708 million. This represents an improvement from peak to trough of £330k the lowest arrears level experienced at this point in the financial year during the past 5 years, and with the changes now in place performance is projected to show further significant improvement to year-end 08/09.

4. Implications (including financial implications)

4.1 Policy

4.1.1 Not applicable.

4.2 Resources and Risk

4.2.1 Non-recovery of debt has an adverse impact on the Council's revenue position.

4.3 Legal

4.3.1 Not applicable.

4.4 Equality

4.4.1 Debt is normally owed by some of the more vulnerable residents and more robust recovery methods would inevitably have an impact on them.

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

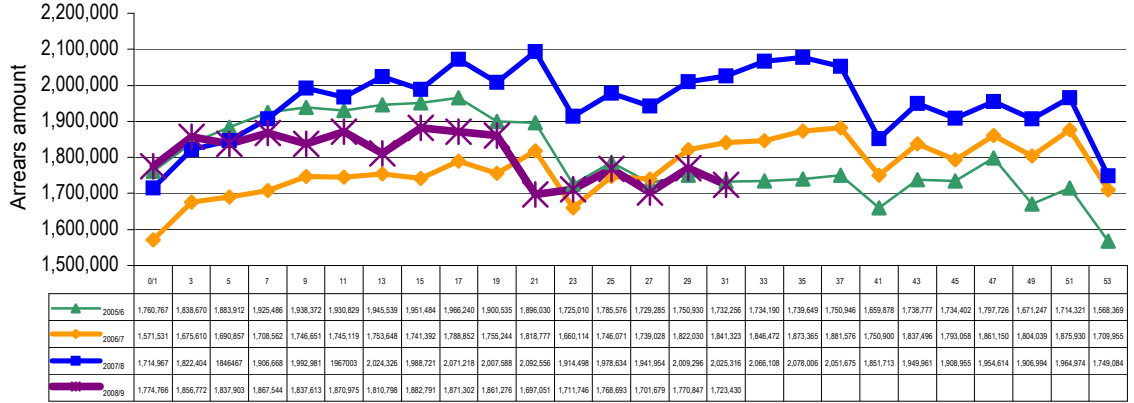
4.6.1 None

5. Background Papers

5.1 None

Report Author: Tim Ansell Housing Services Manager Tel 01604 837412

Northampton Borough Council Rent Arrears Performance



Week number and total arrears amount

Appendices



Item No.
7(B)

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Bank Reconciliation Progress Report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	2 nd December 2008
Policy Document:	No
Directorate:	Finance & Support
Accountable Cabinet Member:	Councillor Malcolm Mildren

1. Purpose

1.1 This report outlines the progress on various measures undertaken by the Finance section to implement the recommendations made by the Internal Auditors in the Bank Reconciliation Review report that was issued in October 2008.

2. Recommendations

2.1 To note this report.

3. Issues and Choices

3.1 Report Background

3.1.1 The Audit Committee has requested a report informing the progress made in implementing the recommendations raised in the audit report.

3.1.2 The Audit report placed no assurance in the system reporting design and operation control weaknesses. In arriving at this conclusion the auditors took into account the lack of progress made during 2007/08 in relation to the accurate and timely preparation of the Bank Reconciliations and the implementation of a new system for preparing Bank reconciliations.

3.1.3 The Council currently operates six bank accounts, Housing Benefits ,Housing Rents, Creditors, Credit Suspense, Special Interest, and the General Rates Fund bank accounts.

3.1.4 This report provides an update specifically on the progress on outstanding items on Team Central, attached at Appendix A and provides an update on the actions being undertaken that are addressing all other Risk areas highlighted in the report.

3.2 Actions and Progress

3.2.1

3.2.2 Procedures have been implemented to ensure that existing Bank Account Reconciliations are reviewed regularly and evidenced as such. Ongoing review is being carried out to clear backdated reconciling items and ensure new items are cleared in a timely manner.

3.2.3 Currently Core Business Systems, (CBS) Creditors bank account is reconciled in Agresso, the computerised financial management system. The other bank accounts are reconciled manually utilising Microsoft Excel spreadsheets. Where appropriate electronic reconciliation files have been secured to support summary reconciliation proformas for each period's reconciliation. Procedure notes have been drawn up for the Microsoft Excel bank reconciliations.

3.2.4 A project team was formed in October and expert assistance procured through a consultancy service to review the Council's Banking processes. The consultants have a proven known record in delivering this type of review and are essential to the success of this project. The objectives of the project are:

- Analyse current processes, data transfers and bank reconciliations around the operation of bank accounts and their transaction with other systems;
- Ascertain whether all bank accounts are required, rationalise where appropriate. Investigate and design how the transactions can be transferred to Agresso to enable automation of Bank Reconciliations;
- Improvements to current processes are to be identified and agreed using a systems thinking approach with fully documented and tested procedure notes being produced;
- Automation will provide a robust bank reconciliation procedure, clear audit trail and will enhance financial controls. This project will support the council's efforts to continue to improve the Use of Resources and improve the financial governance within the council.

3.2.5 Since October 2008, the project team have commenced reviewing Agresso and the Banking processes to facilitate the automation. Good progress has

been made to date although there have been some complications due to current process findings as the project has progressed. Impacting also on the delivery target dates is the need to take into account the requirements of two of the Council's other projects, one looking at Customer Payment Methods and the other the Financial Management System 5.5 upgrade.

3.2.6 The October start of this project and the issues mentioned in 3.2.4 above have delayed the implementation of some of the recommendations in the Audit report. However, automated bank reconciliations, once accomplished, will provide us with a clearer audit trail and enable us undertake bank reconciliations more efficiently and effectively. The automation will enable resources, currently used to operate the manual Bank reconciliation processes, to be directed more at identification and prompt resolution of unreconciled items as part of the robust new reconciliation procedures.

4. Implications (including financial implications)

4.1 Policy

4.1.1 Not applicable.

4.2 Resources and Risk

4.2.1 There are technological risks involved in automating the bank reconciliation.

4.2.2 Internal and external communication due to changes in banking arrangements is vital to the success of the project to limit the impact on the customer.

4.2.3 The project is resourced through existing staff budgets and the consultancy procured is funded through the existing capital for E-payments, Chip and Pin Payment Kiosks programme.

4.3 Legal

4.3.1 Not applicable.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

4.6.1 As noted, Use of Resources Score Final Accounts, Customer Payments Methods project, Income section working methods.

5. Background Papers

- 5.1 Internal Audit Report Bank reconciliation Review Report no. 7 08
- 5.2 External Auditors KPMG Final Accounts report
- 5.3 Bank Reconciliation Review Working Paper Files

Report Author: Bill Lewis - Assistant Head of Finance

Findings and recommendations

Original Reconciliation Processes

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response and update	Officer responsible & implementation date
Control Design						
1	Officers may be unaware of their roles and responsibilities leading to an increased risk of error.	<p>There are no procedure notes in place for the Special Interest, OAP or General Rate Account Reconciliations.</p> <p>In addition the procedure notes for the Agresso reconciliation process are not up-to-date. The notes contain no information on the new system for cheques over 6 months old.</p>	<p>● Medium</p>	Procedures notes should be updated and drawn up for all reconciliations prior to being distributed to all responsible officers.	<p>Agreed</p> <p>Review of all bank reconciliations is underway. Procedure notes to be drawn up and tested as part of this review.</p> <p>OAP Bank A/c no longer used.</p> <p>General Rate Fund being reviewed as part of the project</p>	<p>Phil Morrison</p> <p>Special Interest A/c procedure notes implemented</p>
4	Bank accounts do not reconcile to the general ledger.	With the exception of the Agresso Payments account, no other accounts are being reconciled back to the general ledger. Instead bank balances are being agreed back to the various feeder systems.	<p>● High</p>	Bank balances should be agreed to the ledger system as part of the new reconciliation process. This will ensure that correct financial data has been recorded on the general ledger.	<p>Agreed</p> <p>In hand, all bank accounts will be agreed to the ledger and feeder system as part of the new reconciliation process.</p>	<p>Phil Morrison</p> <p>Housing Benefit A/c set to go live on Agresso wk beginning 15th December 08.</p> <p>All other Bank accounts by 1 April 09.</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response and update	Officer responsible & implementation date
7	The General Rate account reconciliation is not being performed in a timely and effective manner.	<p>During our walkthrough of the General Rate account reconciliation we noted the following:</p> <ul style="list-style-type: none"> The format of the reconciliation appears to be unnecessarily complicated and confusing. Staff were not able to explain the type of transactions that are recorded in the cash book and couldn't account for the difference between the ledger and bank balance. Working papers for the preparation of the reconciliation are often not retained. The process itself appears to be intrinsically risky as it involves a great deal of manual matching. 	<p>● High</p>	<p>The Authority should ensure that the format of this reconciliation is reviewed and simplified through the ongoing Bank Reconciliation review.</p> <p>Staff should be able to demonstrate an understanding of how this reconciliation works and all supporting documentation should be retained in order to ensure a clear audit trail.</p>	<p>Agreed.</p> <p>Currently under review as part of the project. To be completed by Year end. Likely that this account will no longer be required. A clear audit trail will be produced on closedown.</p>	<p>Phil Morrison</p> <p>28 February 2009</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response and update	Officer responsible & implementation date
Operating Effectiveness						
8	Special Interest account balance is inaccurate.	<p>During testing of monthly Special Interest reconciliations it was noted that the opening balance does not agree to the ledger. At the start of the year, the ledger balance for the account was £500k more than stated.</p> <p>This was due to a posting error which was subsequently reversed out. The opening balance should therefore reflect this and the cash outflows increased by £500k. This will have nil effect on the balance; however it discloses a more accurate representation of the account movement.</p>	<p>● Medium</p>	All reconciliations should reflect the actual balance on both the bank statement and ledger.	<p>Agreed.</p> <p>Final adjustments to be made during Year end reconciliation process.</p> <p>Special Interest a/c part of the Banking project being reviewed</p>	<p>Phil Morrison/Bev Dixon</p> <p>Implemented</p> <p>28th February 2009</p>

New Reconciliation Processes

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response and update	Officer responsible & implementation date
Control Design						
15	<p>By not completing the review, the Authority has little comfort over the accuracy and completeness of their bank balances. This could lead to misstatement of the financial statements and increases the risk of fraudulent activity.</p> <p>Where reconciliations have not been performed for the entire year, no comfort can be gained.</p>	<p>As at the 31 March 2008 (year end), the following work was still outstanding:</p> <ul style="list-style-type: none"> The Authority had commenced but not completed their review of the Credit Suspense and Housing Rent accounts. No reconciliations have been performed on these accounts during 2007/08. The Authority had not begun their review of the Special Interest or General Fund Account. <p>As such, no cumulative reconciliation has been completed for all of the above accounts. In addition, no regular process of reconciliation (3 way) has been designed or implemented for the above and the OAP account.</p>	<p>● High</p>	<p>The Authority should ensure that the Bank Reconciliations review is completed as a matter of urgency.</p> <p>For each account:</p> <ul style="list-style-type: none"> a cumulative reconciliation should be performed for 06/07 and 07/08, and a new process of 3 way reconciliation should be designed and implemented for 2008/09. <p>The process for the new reconciliations should be clearly documented in procedure notes and all officers given training to understand both the process and purpose of the reconciliation.</p>	<p>Agreed</p> <p>The Authority is ensuring that Bank Reconciliation review is completed as a matter of urgency.</p> <p>Reconciliations have been completed cumulatively for a number of accounts under the existing process.</p>	<p>Phil Morrison</p> <p>1 April 2009</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response and update	Officer responsible & implementation date
16	Errors remain unresolved and as such the Agresso bank balance may be misstated.	<p>Efforts have been made to investigate why the cash book balance on the Agresso reconciliation does not agree to the cash book. From 17 March 2008 the reconciling amount has stood consistently at £315.34 (verified through testing). The constituting transactions have been identified and a query logged with Agresso to identify what should be done to rectify this difference.</p> <p>A number of other weaknesses have already been raised in relation to this reconciliation. (See issues 2, 3, 5 & 9 above).</p>	<p>● Medium</p>	Efforts should be made to rectify the reconciling item as a matter of urgency. Going forward, any difference between the balances should be investigated on a prompt basis.	<p>Agreed</p> <p>The reconciliation is operating under the same process as before. However review processes have been introduced to ensure that reconciling items are followed up. The result of this will ensure that limited numbers of reconciled items occur.</p> <p>Follow up calls have been made to Agresso to ensure appropriate action is taken to correct outstanding difference.</p> <p>To be picked up as part of the Banking review.</p>	<p>Phil Morrison</p> <p>30th January 2009</p>
18	The bank balance is not reconciled and therefore may be inaccurate.	<p>A number of un-reconciled items exist on the new Benefits reconciliation. At the time of the review the preparer was still unsure as to what these relate.</p> <p>These ranged in value from £1k to £7k.</p>	<p>● Medium</p>	Efforts should be made to identify what the un-reconciled items relate to and all should be cleared promptly.	<p>Agreed</p> <p>Un-reconciled items will be identified during the year end closedown and cleared in the first 2 months of the new financial year.</p>	<p>Phil Morrison</p> <p>Implemented</p> <p>July/August</p>

Appendices



Item No.

NORTHAMPTON
BOROUGH COUNCIL

DRAFT
AUDIT COMMITTEE REPORT

Report Title	BUILDING CONTROL COSTS REVIEW
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AGENDA STATUS: PUBLIC

Meeting Date:	2 December 2008
Directorate:	Planning and Regeneration
Accountable Cabinet Member:	Richard Church
Ward(s)	Not Applicable

1. Purpose

- 1.1 This report provides an explanation of the review of expenditure carried out in the Building Control service.

2. Recommendations

- 2.1 Audit Committee to note the report and consider making recommendations to Cabinet.

3. Issues and Choices

3.1 Report Background

- 3.1.1 At a previous meeting the Audit Committee requested a review of building control expenditure. A significant part of this work had already been carried out, and this report explains the position shown by the review.

3.2 Issues

- 3.2.1 The Building Control expenditure budget is mainly made up of employee and support services costs (including the recharged element of the Head of Service (in previous years the Corporate Manager)).
- 3.2.2 The staffing requirement is calculated based on a formula that takes into account the volume of applications being processed and the time required to process an application. Based on the current volume of transactions, the Building Control Team Leader has advised that the team is just short of the

level that would require an additional member of staff, after taking into account the partnership work.

- 3.2.3 In addition, should the volume of applications increase again, additional staff resource would be required to keep up with the applications.
- 3.2.4 The restructured Building Control Team has been budgeted for. Two of those posts are currently vacant and are being covered by agency staff. One of these posts is currently out to advert.
- 3.2.5 The Council is required to charge an appropriate proportion of overhead costs to direct services. It is these costs that make up the support services costs that are recharged out to services.
- 3.2.6 The table below shows an illustration of the support services costs charged to Building Control based on 2007/08 apportionments.

Service	Percentage of Service Costs Apportioned to Building Control
Corporate Manager (Development, Building Control, Environmental Health)	22.00%
Human Resources	11.34%
IT	6.46%
Cliftonville House	4.46%
Internal Telephone System	4.34%
Finance and Procurement	2.58%
Post Room	1.25%
Customer Liaison Team	1.12%
Other small value services	0.93%

- 3.2.7 Of these, the Human Resources recharge stands out as being particularly high, and it is recommended that this be investigated further. In addition, the Building Control Manager is investigating other areas of recharges for understanding.
- 3.2.8 Recharges and the related apportionments are to be reviewed as part of the corporate budget build and monitoring processes.
- 3.2.9 Together these costs made up 86% of Building Control expenditure in 2007/08. Annex A shows the published account for 2007/08.
- 3.2.10 Given that there is limited opportunity to make changes in relation to expenditure, consideration should be given to ensuring that the level of charges has been set appropriately.
- 3.2.11 Market testing has shown that NBC is already charging materially below the regional market on Table B (domestic extensions), averaging at 12% below the rest of the districts in Northamptonshire.
- 3.2.12 On Housing and other works (Tables A and C) NBC is in line with its regional neighbours at the moment.

3.2.13 In addition, other districts have indicated that they are considering an increase of an additional 5% for their 2009-10 budget proposals for all three tables (Housing, domestic extensions, and other works). The Borough is working on a report to bring to Cabinet in the New Year with a view to bringing our charges into line with neighbouring boroughs.

3.3 Choices (Options)

3.3.1 The Audit Committee is invited to consider the expenditure review shown in this report and to take forward any issues identified as part of that consideration.

3.3.2 In addition, the committee is asked to consider the question of charge levels, and take forward any issues identified.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 There are no specific financial implications arising from this report.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Building Control and the Director of Finance have been consulted.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Giving full consideration to front line services contributes to the priority of being a well-managed organisation that puts the customer at the heart of what we do.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

5.1 Audit Committee Minutes September 2008

Lee Hunter, Building Control Manager
Rebecca Smith, Assistant Head of Finance, ext 8046

Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and non-chargeable activities.

The Building Control chargeable services has, for the three-year period to 31st March 2008, made an operating deficit of £25k on a turnover of £1,681k. In the previous three-year period to 31st March 2007, there was a deficit of £339k against a turnover of £1,681k.

	2007/08		
	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
Expenditure			
Employees	253	136	389
Premises	0	0	0
Transport	7	4	11
Supplies and services	18	72	90
Support service charges	145	78	223
Capital Charges	1	0	1
Total Expenditure	424	290	714
Income			
Building Regulation fees	-310	0	-310
Other Income	-15	0	-15
Total Income	-325	0	-325
Surplus (-) / Deficit for Year	99	290	389
Comparatives for 2006/07	2006/07		
	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
Expenditure	556	135	691
Income	-486	0	-486
Surplus (-) / Deficit for Year	70	135	205

Appendices



Item No.

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Internal audit progress report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	2 December 2008
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	Malcolm Mildren

1. Purpose

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

2. Recommendations

2.1 Receive the report.

3. Issues and Choices

3.1 Report Background

3.1.1 Introduction

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

3.1.2 Plan Outturn

We have undertaken work in accordance with the 2008/09 Internal Audit Plan which was presented to and approved by the Audit Committee at its meeting in February 2008.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. This shows that we have undertaken a number of reviews for which reports have been issued in draft and completed a significant amount of the Core Assurance work with reports to be issued imminently.

3.1.3 Reporting and activity progress

Final reports

The following reports have been issued in Final since the previous Audit Committee Meeting. No changes have been made to what was reported in the 2007/08 Annual Report.

- 07/08 NBC 07 General ledger – Limited Assurance
- 07/08 NBC 12 Bank reconciliations – No Assurance
- 07/08 NBC 18 Health & Safety – Moderate Assurance (with improvement)
- 07/08 NBC 23 Communications & Citizen Engagement Follow up
- 08/09 NBC 04 Environmental Health (Commercial services) – Moderate Assurance
- 08/09 NBC 05 Non Domestic Rates – High Assurance

2008/09 Draft reports:

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

- **08/09 NBC 06 Call out arrangements (Westbridge)** – A review of the controls over the out of hours call out service was undertaken. This included a review of how call out rotas are prepared, the utilisation of this service and costs involved. Given the manner in which the service was being arranged and delivered we gave **No Assurance** over this area. The following key points were noted:
 - There was concern over the manner in which rotas for tradesman were put together and opportunities to work on call out not open to all.
 - Potential non-compliance with the Working Time Directive.
 - Whether the Council was obtaining value for money by having tradesman on call who were rarely called out and issues over the application of recharges to tenants.
- **08/09 NBC 07 Treasury Management** – This review focused upon the Council's cash and investment management activities. Overall we noted that there had been some improvement in the level of control which was also evidenced by almost all of the prior year findings having been implemented. Overall we have given a **Moderate** level of assurance with improvement to reflect progress made.

2008/09 Fieldwork completed

We have completed our fieldwork in the following areas and are now preparing the draft report:-

- **Debtors**
- **Creditor payments**
- **Council tax**
- **Housing rents**
- **Housing management (Temporary accommodation)**

Other work performed

We have undertaken further work on Risk Management which has focused upon the following areas:

- Provision of ongoing advice and support to the Council's Interim Risk Manager with regards the revision and updating of the Council's risk management framework;
- Preparation of material and presentation to Council Members held on 13 November 2008; and
- Facilitation of a strategic risk workshop to the Council's Management Board to be held on Friday 28 November.

In addition we were asked by management to undertake additional work in the following areas:

- Car Parking – Work has been performed to assess controls over the collection and recording of car park income; and
- Recording of unders and overs by cashiers.

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 – TeamCentral report extract

5.2 Other 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
1. Core Financial Systems – Fundamental assurance			
▪ General Ledger	8	8	Fieldwork completed
▪ Debtors	10	10	Fieldwork completed
▪ Creditor Payments	10	10	Fieldwork completed
▪ Payroll	10	9	Work in progress
▪ Budgetary Control	10	2	Deferred by management until 12 Jan 09
▪ Council Tax	10	10	Fieldwork completed
▪ Non Domestic Rates (NDR)	5	5	Final report
▪ Bank Reconciliations	10	1	To be completed in Q4
▪ Cashiers	8	8	Draft report
▪ Treasury Management	5	5	Draft report
▪ Housing Benefits	10	1	Planned week commencing 8 Dec
▪ Fixed Assets	5	4	Work in progress
▪ Housing Rents	10	10	Fieldwork completed
▪ Expenses (including members)	10	10	Draft report
▪ IFRS Healthcheck	5	0	To be arranged
▪ VAT	10	10	Fieldwork completed

Planned activity	Planned days	Actual days	Status
2. Operational system reviews – risk based assurance			
▪ Human Resources	20	1	Meetings held
▪ Regeneration	10	0	To be arranged
▪ Westbridge DLO	20	10	Call Out Arrangements (draft issued)
▪ Housing Management	8	8	Fieldwork completed
▪ Procurement/VFM	10	0	To be arranged
▪ Freedom of Information and Data Protection	10	10	Draft report
▪ Concessionary fares	10	0	To be arranged
▪ Environmental Health	5	5	Final report
▪ ICT audits	20	0	To be arranged

Planned activity	Planned days	Actual days	Status
3. Strategic – performance assurance			
<ul style="list-style-type: none"> ▪ Risk management (including fraud risk management assessment) ▪ Governance – management information ▪ Performance management and improvement delivery 	15	15	Completed
	15	5	Ongoing
	15	0	To be arranged

Planned activity	Planned days	Actual days	Status
4. Other			
<ul style="list-style-type: none"> ▪ Specific follow up reviews: <ul style="list-style-type: none"> ➤ Contract Audit (Capital Programme) and Legal Services ➤ Grants to voluntary bodies ▪ General follow up ▪ NFI ▪ Contingency ▪ Audit Management 	<p>8</p> <p>10</p> <p>12</p> <p>35</p> <p>18</p>	<p>4</p> <p>10</p> <p>1</p> <p>16</p> <p>15</p>	<p>Work in progress</p> <p>TeamCentral maintenance and follow up</p> <p>Awaiting further instruction</p> <p>See below</p>
Total	377	203	
Work undertaken from Contingency			
<ul style="list-style-type: none"> ▪ Grants verification work ▪ Under/overs ▪ Car Parking 	<p>4</p> <p>2</p> <p>10</p>	<p>4</p> <p>2</p> <p>10</p>	





Appendix Two

Assignment	Critical	High	Medium	Low	Total	Overall assurance rating
08/09 NBC 01 Cashiers*	0	0	8	11	19	Limited*
08/09 NBC 02 Expenses (including members)*	0	0	4	7	11	Moderate*
08/09 NBC 03 Freedom of Information and Data Protection*	0	1	11	5	17	Limited*
08/09 NBC 04 Environmental Health	0	0	2	5	7	Moderate
08/09 NBC 05 Non Domestic rates	0	0	1	5	6	High
08/09 NBC 06 Call Out Arrangements*	0	3	7	0	10	No Assurance*
08/09 NBC 07 Treasury Management*	0	0	2	6	8	Moderate (with improvement)*
Total	0	4	35	39	78	

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

Our assessment criteria are shown below:

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 Authority's objectives in relation to: <ul style="list-style-type: none"> • the efficient and effective use of resources • the safeguarding of assets • the preparation of reliable financial and operational information • compliance with laws and regulations.
 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 organisation objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> • has a low impact on the achievement of the key system, function or process objectives; • 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.

Overall assurance rating:

Level of assurance	Description
High	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.
Moderate	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 high or they would be unlikely to occur.
No	There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.

Appendix Three

TEAMCENTRAL

Year	Number of recommendations made	Implemented / Closed	Outstanding
2006/07	225	200	25
2007/08	182 (2 reports to be added)	119	63
2008/09	Reports to be added Jan 09	N/a	N/a

The table below shows the position as at 20 November 2008.

Note:

- The table below does not show those reviews which no longer have current recommendations outstanding.
- Only finalised reports are tracked through TeamCentral, but in future draft reports not responded to within 2 months will also be added.

Review and number of recommendations made Nov 08	Outstanding and overdue	Not yet due	Implemented awaiting verification	Closed
Project : 06_07 Business Continuity Planning, IT Disaster Recovery - Business Continuity Planning, IT Disaster Recovery (6)	4	-	0	2
Project : 06_07 General Ledger Review - General Ledger Review (11)	0	-	3	8
Project : 06_07 HR & Payroll System Implementation Review - HR / Payroll System Implementation Review (10)	0	-	8	2
Project : 06_07 Human Resources - HR (11)	1	-	1	9
Project : 06_07 IT Procurement Review - IT Procurement Review (3)	1	-	0	2
Project : 06_07 Performance Indicator review - Performance Indicator review (16)	4	-	6	6
Project : 06_07 Review of Procurement Strategy - Review of Procurement Strategy (19)	0	-	11	8
Project : 06_07 Westbridge Procurement-follow up - Westbridge Procurement-follow up (5)	4	-	1	0
Project : 06_07 Westbridge Stores - follow up - Westbridge Stores - follow up (11)	11	-	0	0
Project : 07_08 NBC 01 - NNDR (4)	0	-	3	1
Project : 07_08 NBC 02 - Treasury Management (7)	0	-	7	0
Project : 07_08 NBC 03 - Council Tax (6)	0	-	6	0
Project : 07_08 NBC 04 - Voids Management (6)	3	-	3	0
Project : 07_08 NBC 06 - Cashiers (7)	0	-	6	1
Project : 07_08 NBC 09 - Payroll (19)	6	-	11	2
Project : 07_08 NBC 10 - Creditors (12)	4	-	4	4
Project : 07_08 NBC 11 - General Ledger (11)	0	2	9	0
Project : 07_08 NBC 12 - Debtors (18)	0	-	13	5
Project : 07_08 NBC 13 - Housing Benefits (15)	0	-	14	1
Project : 07_08 NBC 14 - Fixed Assets (12)	8	2	0	2
Project : 07_08 NBC 15 - Budgetary Control (5)	1	-	1	3
Project : 07_08 NBC 16 - Bank Reconciliations (18)	6	2	10	0
Project : 07_08 NBC 17 - Communications & Citizen Engagement Follow up (9)	2	5	0	2
Project : 07_08 NBC 18 - Planning Applications (9)	5	-	4	0
Project : 07_08 NBC 21 - Electrical Services (11)	6	-	0	5
Project : 07_08 NBC 22 - Contract & Legal Services (8)	1	6	0	1
Project 07_08 NBC 23 - Health & Safety (5)	4	-	0	1

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Northampton Borough Council Internal Audit Report 2006-07 Westbridge Stores – follow up

Report No. 06_07 NBC 17 – Final Report



Distribution List

Carl Grimmer –Corporate Manager
Isabell Procter – Director of Finance
Gavin Chambers – Head of Finance
Clive Thomas - Corporate Director
David Taylor - Corporate Director

Contents

Section	Page
Background and scope	1
Results of follow-up	3
Limitations and responsibilities.....	4
Follow-up of prior year agreed management actions.....	5
Appendix 1 - Terms of Reference	15

Timetable

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

Background and scope

Introduction

The follow up review of Westbridge Stores was undertaken as part of the 2006/07 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 follow up review of Westbridge Stores. This review has been undertaken as part of the Operational Systems audit work included within the 2006/07 Internal Audit Plan. This report reflects our findings over the progress made in addressing prior year agreed recommendations at the time of our audit in April/May 2006.

Approach and scope

Approach

The purpose of this review was to follow up prior year agreed management actions from the review of Westbridge Stores which focused specifically on the following areas:

- Stock Holdings are maintained at cost effective and appropriate levels.
- Stock is held in a secure environment and is protected against loss or damage.
- All stock transactions are valid, authorised, subject to review and accurate records are maintained.
- Stock control processes are monitored through the production and review of effective management information.

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 Corporate Manager, we undertook a follow up review of previously agreed recommendations.

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
Gerry Gammage - Transport/Fleet Team Leader
Bob Sibley - Head of Responsive repairs

Results of follow-up

Introduction

This report summarises the findings of our follow-up review of Westbridge Stores.

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	Implemented	Partially implemented	Outstanding
High risk	0	0	0	0
Medium risk	13	2	1	10
Low risk	0	0	0	0
TOTAL	13	2	1	10

It is disappointing to note that the majority of agreed management actions had not been actioned at the time of our review with 10 of the 13 issues raised previously remaining outstanding.

However, it should be noted that many of the revised management actions are tied to the implementation of the new IBS system which had not been procured at the time the original responses were provided. It is expected that this implementation will address many of the concerns raised previously.

Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a follow-up review of Westbridge Stores, 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 is a 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.


Follow-up of prior year agreed management actions


Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed originally agreed	Original deadline for action and accountable officer	Current Status
1	<p>There is limited information being provided from Stores to the Responsive Repairs Manager and Corporate Manager.</p> <p>This is mainly due to the inflexibility of the current system Uniclass. It was noted that an additional reporting package, Crystal has been bought and training has recently been provided but reports are still difficult to formulate.</p>	<p>● Medium</p>	<p>The Corporate Manager should ensure that the new Enterprise System is reviewed and that adequate reports can be generated from the system to enable the stores to be effectively monitored.</p> <p>These reports could include: stock movement write off outstanding orders obsolete stock issues Spend against budget</p>	<p>Developments of UE continue since implementation in April.</p> <p>Procurement of Crystal licences and further associated training.</p> <p>Procurement of new stock management system approved within HRA investment fund.</p> <p>New developments allow full integration with UE enabling reports to be produced as a control measure and management tool.</p>	<p>Repairs manager – RM B Sibley BS – Oct 06</p> <p>Property maintenance manager - PIMM R Fitzhenry RF – Oct 06</p> <p>RM– Project leader.</p> <p>Target Delivery December 06</p>	<p>Outstanding.</p> <p>Action to be taken:</p> <p>Further to corporate purchase of IBS, management decision taken to cease development work on UE to free resources. Stores module and Bar coding system included within project scheduled for phased integration Nov07 & March 08 with repairs module. The IBS system will have robust reports facility.</p> <p>Responsible Officer: IBS Project Board</p> <p>Target Date: Nov 07 – March 08</p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed originally agreed	Original deadline for action and accountable officer	Current Status
2	<p>It was noted through discussion that there is no annual budget review process for expenditure within the Stores.</p> <p>Although procurement will review suppliers annually and obtain competitive agreements no overall budgetary control is in place.</p>	<p>● Medium</p>	<p>The Corporate Manager should ensure that budgets are set annually for stores and monitored to ensure that variations are investigated and can be explained.</p>	<p>Annual Budget process will identify budget for materials. Directly related to NHF schedule of rates.</p> <p>Monthly meetings with stores manager with reporting to property maintenance manager.</p>	<p>PMM - Oct 06</p> <p>RM – Sept 06</p>	<p>Outstanding.</p> <p>Rebasing of HRA budgets from Apr 07 will allow improved budget monitoring on materials expenditure. IBS module will integrate with NHF Schedule of rates.</p> <p>Responsible Officer: PMM/Accountancy</p> <p>Target Date: Apr 07</p> <p>Re-organisation of stores management to Responsive Repairs team leader will include monthly meetings and 121's with all Stores staff linked into service plan objectives and targets for the repairs section.</p> <p>Responsible Officer: PMM</p> <p>Target Date: Aug 07</p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed originally agreed	Original deadline for action and accountable officer	Current Status
3	Although there are some written procedures available within Stores that cover purchasing and the control of stock, these were all last reviewed and updated in February 2002.	● Medium	The Stores Manager should undertake a review of the procedures to ensure that they reflect current operating practices and take account of the new Enterprise system.	Review all written procedures and incorporate use of new stores system, with robust reporting and integration into UE.	Gerry Gammage Stores Manager - SM December 06	Partially implemented. In the process of being completed and finalised. Responsible Officer: Acting stores manager - SM Target Date: Aug 07
4	It was noted that there were no up to date financial procedures located within the stores and confusion as to what the exact policy was for dealing with obsolete stock.	● Medium	The Stores Manager should contact finance and obtain a copy of the latest financial procedures and ensure that the process for dealing with obsolete stock is understood and complied with.	Review financial procedures with accountancy. Arrange refresher training for all stores employees.	SM – Oct 06 PMM / SM – Nov 06	Implemented.


Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed originally agreed	Original deadline for action and accountable officer	Current Status
5	<p>A review of the stock control reports from the last stock take in March 2005 revealed a significant credit balance of £1.5m. This line is identified as call off orders or code 996 on the report and has been accumulating since 1996. This is potentially due to an anomaly within the system generating the report.</p>	<p> Medium</p>	<p>A review of this balance should be undertaken to ensure that the cause of the balance is identified, it is reconciled and corrected.</p>	<p>Review balance and reconcile with accountancy prior to implementation of new system.</p>	<p>SM - Oct 06</p>	<p>Outstanding. Inherent with Uniclass legacy system. IBS implementation will resolve. Responsible Officer: IBS Project Board Target Date: Nov 07 – Mar 08</p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed originally agreed	Original deadline for action and accountable officer	Current Status
6	It was noted that there have been no random stock reviews undertaken during the course of the year.	 Medium	The Stores and Depot Manager should ensure that random stock checks are performed and the evidence retained.	New stores system will facilitate stock inventory, which will be included within new stock management procedures.	SM – Dec 06	<p>Outstanding. IBS will have real time stock information through bar coding and imprest stocks on vehicles linked to mobile working solution.</p> <p>Responsible Officer: IBS Project Board</p> <p>Target Date: Nov 07 – Mar 08</p> <p>Stores staff to undertake weekly audit of 20% of stock including high value and high moving stock items.</p> <p>Responsible Officer: SM</p> <p>Target Date: Jun 07</p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed originally agreed	Original deadline for action and accountable officer	Current Status
7	Testing of 23 randomly selected stock items identified 10 instances where the amounts held in the stores did not agree to stock records. We noted instances where physical stock levels were both under and over what was recorded on the system.	 Medium	The Stores and Depot Manager should review the discrepancies identified and ensure that adequate reasons for the variations can be provided.	Improved control measures to be in place in new procedures to eliminate errors. New system will reduce. Investigate current position through random sampling and investigation.	SM – Dec 06 SM – Oct 06	Outstanding. Weekly stock audit implemented Performance management of stores function including monthly audit of stock levels and stores personnel having daily, weekly and monthly performance targets. Responsible Officer: SM Target Date: Jun 07

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed originally agreed	Original deadline for action and accountable officer	Current Status
8	<p>Although a requisition was located for all 20 stock issues tested we did note the following:</p> <ul style="list-style-type: none"> • None of the requisitions stated the operative or tradesperson number. • 11/20 had no signature to identify the issuing officer. • 7/20 had no receiving officer signature. 	<p>● Medium</p>	<p>The Responsive Repairs Manager should ensure that all appropriate officers are informed of the need to fully complete and sign the stores requisition.</p>	<p>As above.</p>	<p>SM – Dec 06</p>	<p>Outstanding. Management instruction to all staff. See 7 Responsible Officer: PMM Target Date: Jun 07</p>
9	<p>It was noted that the Uniclass system has a number of open orders that have not been closed down since 1996. Therefore there is a risk that inappropriate invoices could be paid against these orders.</p>	<p>● Medium</p>	<p>The Stores and Depot Manager should ensure that the open orders on Uniclass are reviewed and closed as soon as practical.</p>	<p>Immediate review of all opens orders on system and completed. Use of open orders to be strictly prohibitive in new procedure</p>	<p>SM – Sept 06 SM – Dec 06</p>	<p>Implemented.</p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed originally agreed	Original deadline for action and accountable officer	Current Status
10	<p>We noted on several occasions that the door into the stores located at the trade counter although supposed to be kept locked was found to be open.</p> <p>In addition another entrance point that led directly into the stores through metal doors was found to be open.</p>	<p>● Medium</p>	<p>A review of the security arrangements within the stores should be undertaken, and all access points should be secure.</p>	<p>Urgent review of stores security and immediate action identified and recommendations incorporated within procedure</p>	<p>SM – Sept 06</p>	<p>Outstanding Weekly audits introduced to monitor. Included in revised procedures see item 3. Responsible Officer: Responsive repairs TL Target Date: ongoing</p>
11	<p>It was noted that Stores are authorised to make sales to tradesman with cash being retained in a till until the end of the week.</p>	<p>● Medium</p>	<p>The Corporate Manager should consider withdrawing this service from the Stores to avoid the need for cash to be taken and potentially compromising the level of discounts being obtained from suppliers.</p>	<p>Investigate take up of scheme. Urgently review with a view to withdrawal of the service.</p>	<p>PMM – Sept 06</p>	<p>Outstanding. Management instruction to cease forthwith. Responsible Officer: PMM Target Date: Jun 07</p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed originally agreed	Original deadline for action and accountable officer	Current Status
12	<p>Annually the Procurement Department will undertake a review of Suppliers and prices. Upon receipt of quotations a preferred supplier list is provided to stores for them to update on to their system.</p> <p>However these agreements are not retained and therefore it is difficult to ensure that data has been accurately recorded on the stores system.</p>	<p> Medium</p>	<p>The Stock Controller should retain the annual agreements to evidence that information has been correctly entered onto the stores system.</p>	<p>Identification of dedicated procurement support to facilitate periodic review – Quarterly.</p>	<p>PMM – Sept 06</p>	<p>Outstanding.</p> <p>No progress. PMM to discuss with procurement officer to facilitate review and report into monthly Repairs / stores monitoring.</p> <p>All current arrangements are published on intranet.</p> <p>Responsible Officer: PMM</p> <p>Target Date: Aug 07</p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Remedial action agreed originally agreed	Original deadline for action and accountable officer	Current Status
13	<p>It was noted that there was no detailed policy or procedure in relation to imprest stock held on vans, although this was being looked into during the audit in March 2006.</p>	<p>● Medium</p>	<p>The Responsive Repairs Manager should ensure that there is an adequate review process in place for checks on imprest stock levels.</p>	<p>New policy and procedures will address imprest stock. In conjunction with stores management system implementation of Automated vehicle location software will facilitate stock replacement.</p>	<p>SM – Dec 06 PMM – Mar 07</p>	<p>Outstanding. IBS implementation will ensure imprest stock integrate with main stores levels. Mobile working will also facilitate efficient stock replacement Responsible Officer: IBS Project Team Target Date: Nov 07 – Mar 08 Team leaders to determine imprest stock levels for all trades. Responsible Officer: PMM Target Date: Aug 07</p>

Appendix 1 - Terms of Reference

Key areas considered during our 2005/06 Westbridge depot store review that are to be followed up:

- Stock Holdings are maintained at cost effective and appropriate levels.
- Stock is held in a secure environment and is protected against loss or damage.
- All stock transactions are valid, authorised, subject to review and accurate records are maintained.
- Stock control processes are monitored through the production and review of effective management information.

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

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Northampton Borough Council Internal Audit Report 2007-08 Fixed Assets Review

Report No. 07_08 NBC 15 – Final Report

Assurance rating this review	No assurance
Assurance rating previous review	No assurance

Distribution List

Isabell Procter – Director of Finance
Gavin Chambers – Head of Finance
Rebecca Smith – Assistant Head of Finance
Beverley Dixon – Finance Manager (Capital)
David Fletcher – Estates and Asset Management Team Leader
Councillor Perkins – Chair of Audit Committee

Contents

Section	Page
Background and scope	1
Our opinion and assurance statement	2
Limitations and responsibilities.....	5
Findings and recommendations	6
Follow up of prior year's recommendations.....	14
Appendix 1 - Terms of Reference	22
Appendix 2 - Assurance ratings	23

Timetable

Action	Planned date	Actual date
Agreement of terms of reference	22 November 2007	22 November 2007
Fieldwork start	3 December 2007	3 December 2007
Fieldwork complete	21 December 2007	27 March 2008 (primarily due to staff availability in both parties)
Draft report to client	10 April 2008	24 April 2008
Response by client	15 May 2008	15 August 2008 (formal response provided by management)
Final report	22 August 2008	2 September 2008

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 Fixed Assets. 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 between December 2007 and March 2008.

Approach and scope

Approach

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

Scope

In accordance with our Terms of Reference (Appendix 1), agreed with the Head of Finance, Assistant Head of Finance and Asset Management Team Leader, we undertook a limited scope audit of the Fixed Asset 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
Rebecca Smith – Assistant Head of Finance
Beverley Dixon – Finance Manager (Capital)
David Fletcher- Estates and Asset Management Team Leader
Tony Skinner – System Controller

Our opinion and assurance statement

Introduction

This report summarises the findings of our review of the Fixed Asset 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 Authority's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
 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 Authority objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; and/or 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.

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	1
High	1
Medium	7
Low	3
Total	12

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 ten weaknesses in the design of controls in relation to Fixed Assets, one of which has been assessed as high risk. In our opinion this control weakness is likely to have a significant impact on the achievement of the key objectives of the Fixed Assets Function.

Operation of the controls under review

We identified two instances where the controls were not operating as designed in practice at the time of our audit. One of these control weaknesses has been assessed as critical. Based upon the work performed, in our opinion this weakness could have a significant impact on the achievement of the following organisation objectives:

- safeguarding assets; and
- the preparation of reliable financial and operational information.

These weaknesses should be considered a 'Significant Control Issue' for the purpose of your Annual Governance Statement.

Value for Money

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

Assurance statement

No assurance

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.

These weaknesses relate to complications primarily arising from an inadequate level of staffing for much of the year leading to tasks which we consider to be fundamental not being carried out. In a number of cases the design of the overall control system did not provide for carrying out these tasks anyway. The result of this situation is that risks around recording of additions, disposals and also verification of fixed assets are increased and these could impact upon the Statement of Accounts.

In arriving at this level of assurance we also took into account progress made in implementing prior years' recommendations. Of the 12 recommendations made, 10 had not been fully actioned. Overall this represents a significant failing.

Follow-up

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

Risk Rating	Number of findings	Implemented or no longer relevant	Outstanding or partially implemented
Critical	0	N/a	N/a
High	2	0	2
Medium	7	1	6
Low	3	1	2
Total	12	2	10

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 Fixed Asset 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 Fixed Asset 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
Control Design						
1	Errors and omissions may occur given that procedures are out of date and roles and responsibilities are not clearly assigned.	There is a lack of up-to-date, formal written procedures covering Capital Accounting. In addition, Accountancy staff are expected to send out a closedown procedure document soon with responsible officers and deadlines. At present it is not clear who is going to be responsible for what and this needs to be decided, documented and dispersed as a matter of urgency.	 Medium	Whilst monthly processes are now very limited so may not require comprehensive guidance notes, there ought to be clear documentation such as procedure notes to cover all year end procedures and a 'roles and responsibilities' document to cover who is formally responsible for what. This is particularly urgent given; <ul style="list-style-type: none"> • staff changes over the past year or so; • that capital charges are only done at year end; • reconciling the fixed asset register and GL is only done at year end; and • the new requirements of the revised SORP and the AIRS system upgrade, which all lead to revised procedure notes being required.	Agreed	Finance Manager (Capital and Treasury) Team Leader Estates & Asset Management 31 October 2008


Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
2	Unreconciling items are not highlighted and resolved on a timely basis.	Though no reconciliations could have taken place during 2007/08 due to AIRS not being populated, it was only ever intended that a year-end reconciliation would take place between AIRS and Agresso rather than monthly or quarterly reconciliations. Going forward reconciliations should be undertaken on at least a quarterly basis.	 Medium	More regular reconciliation of the two systems should take place to allow for timely investigation and resolution of any reconciling items. These would ideally be on a quarterly basis.	Remedial action agreed Reconciliation to be undertaken quarterly Responsibility for action Team Leader Estates & Asset Management	Accountant (Systems) 31 July 2008
3	Donated assets are not accounted for appropriately.	It has not been possible to identify any formal procedures in place at the Authority for the recording and the required accounting treatment for any donated assets.	 Low	Donated assets ought to be recorded in the asset register at replacement cost and SORP changes along with future IFRS adoption will make this matter more important.	Processes to be developed to allow donated assets to be treated in accordance with the SORP	Finance Manager (Capital and Treasury) Team Leader Estates & Asset Management 30 March 2009

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
4	<p>Incomplete policies may result in confusion over asset classification.</p>	<p>It was confirmed with the Finance Manager (Capital) that assets below the £6k de minimus level that have been funded by ring fenced capital funding would be included on a register. The Statement of Accounts were reviewed to ensure compliance was stated, but in the accounting policies within the Financial Statements it states that; <i>"All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. The Council has a general de-minimus limit of £6,000 for capital expenditure purposes, which results in the capitalisation of expenditure, above that limit, as an asset in the balance sheet."</i> Technically this is incomplete and ought to include that 'Where an asset has been acquired for less than £6k but has been funded by ring fenced capital funding it may result in the capitalisation of expenditure as an asset in the balance sheet'.</p>	<p> Low</p>	<p>The accounting policies section of the Statement of Accounts ought to be amended to include that 'Where an asset has been acquired for less than £6k but has been funded by ring fenced capital funding it may result in the capitalisation of expenditure as an asset in the balance sheet'.</p>	<p>Agreed This has already been raised with the relevant officer for inclusion in the accounts, the draft of which will be approved by 30/06/08.</p>	<p>Assistant Head of Finance 30 June 2008</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
5	Inadequate information is being provided to Cabinet on Capital Programme	<p>Whilst it was expected that due to the lack of sufficient Capital Accounting staff during the first few months of the year, monitoring and reporting of development against the capital programme and capital charges would be limited, the following issues have been noted:</p> <ul style="list-style-type: none"> • There was a lack of information provided to budget managers for the first half of year regarding capital charges and there was no independent review of the classifications being made between capital and revenue expenditure. This lack of review may have led to additions or disposals of vehicles, plant or other equipment being missed. • Depreciation is not charged until the year-end and no information on capital charges appears to have been reported to Budget holders as an associated revenue cost. • There has been a notable lack of regular reporting to Cabinet regarding the Capital Programme for the year-to-date. The first report went in October with actual spend only being reported in December. Genuine forecasts are yet to be provided making monitoring of slippage extremely difficult. 	<p>● Medium</p>	<p>Reports are provided to Cabinet every month detailing progress against the Capital Programme including actual expenditure, forecasts and associated capital charges.</p>	<p>Full capital monitoring has been taking place since the autumn, and slippage and year end spend forecasts are also now included both in the Cabinet report and in the information given to project managers at their monthly meetings. Capital/revenue expenditure is currently under review. The issue re capital charges is agreed and will be addressed for 2008/09.</p>	<p>Finance Manager (Capital and Treasury) 31 July 2008</p>


Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
6	Assets may not be adequately safeguarded.	It was noted during discussions that there is no known corporate policy in relation to asset security. Whilst security of land and buildings are the responsibility of the individual officers assigned responsibility for the asset (eg Service Managers or Estate Manager) security over vehicles and plant appears to be less rigorous.	● Medium	The Authority should ensure that a corporate-wide asset security document is compiled and made available to all relevant staff.	Asset security policy, including non property assets to be prepared and approved.	Team Leader Estates & Asset Management 31 May 2008
7	Fixed assets are wrongly stated within accounts.	It was noted that there was no formal procedures or process in place for asset verification during the year.	● High	The Authority should ensure that an assets verification exercise is undertaken and all staff complete required documentation. Appropriate action should also be taken to chase any outstanding information.	a) Capital appraisal process to be amended to include number & type of assets b) Proforma to be issued.	a) Finance Manager (Capital and Treasury) b) Team Leader Estates & Asset Management 31 March 2008
8	Amendments to the fixed asset register are not being checked on a timely basis.	Although exception reports detailing amendments made to standing data on the fixed asset register system (AIRS) can be produced, it was noted that only one such report is run at year end.	● Medium	The Authority should ensure that exception reporting functionality of the AIRS system is explored and relevant reports are regularly run that show amendments to standing data which should be reviewed for accuracy and reasonableness.	Exception reports to be run quarterly from 2008/09. Deadline reflects end of first quarter being 30 June.	Accountant (Systems) 31 July 2008



Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
9	Unauthorised access could be gained if passwords are not changed and become known to other users.	It was noted that the AIRS system does not enforce regular password changes and instead emails are occasionally sent out asking staff to amend existing passwords.	 Medium	The Authority should seek this facility immediately from the software supplier and use it to enforce regular password changes for access to AIRS.	Systems have been in touch with AIRS and are currently awaiting a response. In the interim reminders will be sent to prompt password change.	Accountant (Systems) 30 June 2008
10	Assets are being held that are not required or being effectively utilised.	It was noted that nothing appears to be done at a corporate level to consider the utilisation of assets against the charge they generate to ensure they are used in an effective manner. Although it is considered to be the responsibility of individual budget holders to assess whether holding the asset is in their interests or not, whilst land and buildings may be identified as impaired/surplus to requirement during Property Review Group meetings this is not sufficient monitoring of utilisation and does not cover Plant, Vehicles and Equipment.	 Low	The Authority should ensure that all assets are reviewed to assess their associated charges against value in use to ensure they are utilised appropriately.	Finance Manager Capital and Treasury to instigate and manage review process.	Finance Manager (Capital and Treasury) 30 November 2008



Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Control Effectiveness						
11	Users do not have appropriate level of access in order to perform their roles.	<p>Whilst overall it is clear that access to AIRS is generally being updated to reflect changes in circumstance, the following issues were noted:</p> <ul style="list-style-type: none"> The Corporate Asset Manager does not have access to the AIRS system upon which asset information is recorded. One individual had Level 2 access rights which he did not require to perform his role. This has now been revised downward to Level 4 access but this ought to have been done months ago when roles changed. 	<p> Low</p>	Access rights to the AIRS system should be reviewed frequently and updated on a timely basis to reflect user needs. This will be particularly relevant when all Capital Accounting roles have been finalised.	Agreed - Review to take place quarterly.	Accountant (Systems) 31 July 2008

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
12	Fixed assets may be misstated.	<p>No information on fixed assets has been passed to the main accounting system (Agresso) during the year because no information has been input during 2007/08 into the feeder Asset Register (AIRS) due to the AIRS system upgrade.</p> <p>As a result we could not perform testing on disposals so we cannot confirm that assets are being removed from the system and capital charges are no longer being charged on disposed of assets.</p> <p>Because depreciation charges are not uploaded to the AIRS system or the General Ledger until year-end it has not been possible to test a sample of depreciation charges in-year. This may lead to an untimely resolution of any discrepancies at the year-end and does not allow for budget holders to monitor the charges associated with holding assets easily.</p> <p>No testing of Vehicle, Plant and Equipment additions can be performed because these have not been identified or uploaded on to AIRS yet.</p> <p>Wider concerns have been raised over the identification process for non-building assets such as Vehicles, Plant and Equipment for which there does not appear to be a sufficiently robust, uniform process to ensure that such assets are not omitted by Estates or Finance.</p> <p>Furthermore, information on land and building asset additions and revaluations was not available at the time of audit fieldwork. Valuations are not complete for the year and the Estates Valuer was on leave at the time to discuss progress.</p>	<p>●● Critical</p>	<p>Sufficient resource is made available to allow the 2006/07 financial year to be closed and brought forward on AIRS immediately and to allow the valuations and other amendments and other amendments that have taken place against the fixed asset base to be input into the Fixed Asset Register which can then be reconciled to general ledger.</p> <p>In addition, a robust process must be agreed upon, documented and enforced to ensure that all assets outside the scope of Land and Buildings are identified as having been acquired, disposed of or has seen a change in use. Such information should be obtained on a timely basis and the asset register updated accordingly.</p>	<p>Agreed. 2006/07 has been closed and brought forward on AIRS, and valuations and other amendments are currently going in. Processes for non Land and Buildings assets currently being developed.</p>	<p>Assistant Head of Finance Finance Manager (Capital and Treasury) Team Leader Estates & Asset Management Accountant (Systems) 31 July 2008</p>

Follow up of prior year's recommendations

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
1	<p>A key member of staff, the Asset Information Officer, is away from work due to ill health. This has resulted in a number of weaknesses being highlighted: It was not possible to ascertain what if any work has been performed on fixed asset verifications.</p> <p>There is a lack of information regarding additions of land and buildings and additions and disposals of Plant, Machinery and Equipment as the Fixed Asset Register is updated at year end and only the Asset Information Officer is aware of the values of these.</p> <p>No reconciliation has been undertaken between the general ledger and the fixed asset register.</p>	<p> High</p>	<p>Urgent action is required to ensure that the fixed asset register accurately reflects the Authority's assets.</p> <p>Measures should be put in place to ensure that in future more than 1 person is able to undertake this task and procedures written to facilitate this.</p>	<p>Agreed.</p> <p>Action taken to ensure accuracy of fixed asset register.</p> <p>Agreed. Additional personnel in Asset Management to be trained in this task and updated procedures recorded.</p> <p>Team Leader Estates & Asset Management by 30/09/07</p>	<p>Outstanding:</p> <p>Although additional staff are being recruited, the lack of sufficient staff to date has led to control weaknesses throughout the year such as;</p> <ul style="list-style-type: none"> - the valuer has still not been advised which assets need to be valued - no asset verification - the Fixed Asset Register has not been updated for additions, disposals or revaluations and the general ledger remains incomplete and inaccurate. <p>See issues 12 and 2 in findings and recommendations.</p>	<p>Remedial action agreed</p> <p>Agreed</p> <p>Valuation letter was issued to the valuer identifying the assets that needed to be valued in late Autumn 2007.</p> <p>Asset verification to be undertaken on a random sampling basis.</p> <p>The asset register was not able to be updated due to systems changes, which have now been completed and the update can now begin.</p> <p>Reconciliation to be undertaken quarterly.</p> <p>Responsibility for action</p> <p>Team Leader Estates & Asset Management</p> <p>Deadline for action</p> <p>31/03/08 and 31/07/08 (for quarterly reconciliations)</p>

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
2	<p>The document 'Capital Accounting and AIRS Roles and Responsibilities' has not been updated since restructuring. There have been changes that have made this document less relevant.</p>	<p> Low</p>	<p>The 'Capital Accounting and AIRS Roles and Responsibilities' should be updated to reflect the current structure and responsibilities.</p>	<p>Agreed Asset Manager, in consultation with Finance Staff. 31st October 2007.</p>	<p>Outstanding: Discussions are still being held to finalise roles and responsibility splits between Estates and Finance in relation to capital accounting. Given that there are only 3 months to year-end and given that there is an overwhelming focus on Land and Building assets at the expense of Vehicles, Plant and Equipment there is danger that necessary tasks will be omitted or performed late in closedown leaving little time for resolution of any issues identified. See issue 1 in findings and recommendations</p>	<p>Remedial action agreed Roles and responsibilities to be re-drawn, including non property assets. Responsibility for action Team Leader Estates & Asset Management Deadline for action 30/06/08</p>
3	<p>It was noted that the spreadsheet used to record all leases is not being updated until year end rather than when the leases are being entered into. However, during 2006/07 only 1 new lease appears to have been entered into.</p>	<p> Low</p>	<p>The spreadsheet that is used to record leases should be updated upon acquisition of the lease as opposed to waiting till year end.</p>	<p>Agreed. Spreadsheet will be reviewed and brought up to date then maintained from that point onwards. Assistant Head of Finance Financial Management and Planning 31st October 2007.</p>	<p>Implemented: There have been no new leases to add to the spreadsheet during 2007/08 so the spreadsheet has been confirmed to be up to date.</p>	<p>n/a</p>


Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
4	<p>It was noted that the fixed asset register had not been updated for 1 of the 3 disposals that had taken place prior to 1/3/07.</p> <p>For 1 of the 3 fixed asset disposals that had occurred as at 1/3/07, the Fixed Asset Register had not been updated to reflect this even though it is the Authority's procedure to update the FA register as and when assets are disposed of.</p>	<p> High</p>	<p>The asset (property file reference FS/62/01, Dallington Cemetery Lodge) should be removed from the fixed asset register.</p> <p>Any other disposals of fixed assets that have or are due to take place prior to year end should be removed from the fixed asset register to ensure that the information held is accurate and up to date.</p>	<p>Agreed.</p> <p>This asset has now been removed from the register and future disposals will be removed prior to year end.</p> <p>Asset Manager 31st July 2007</p>	<p>Outstanding:</p> <p>Although Asset FS/62/01 has been removed, no in-year disposals have been removed from the Fixed Asset Register (AIRS) which has not been updated at all in-year due to unfilled posts and uncertainty surrounding a system upgrade.</p> <p>See issue 12 in findings and recommendations</p>	<p>Remedial action agreed</p> <p>The asset register was not able to be updated due to systems changes, which have now been completed and the update for disposals can now begin.</p> <p>Responsibility for action</p> <p>Team Leader Estates & Asset Management</p> <p>Deadline for action</p> <p>31/03/08</p>
5	<p>It was noted during discussions that there is no known corporate policy in relation to asset security.</p> <p>Whilst security of land and buildings are the responsibility of the individual officers assigned responsibility for the asset (eg Service Managers or Estate Manager) security over vehicles and plant appears to be less rigorous.</p>	<p> Medium</p>	<p>The Authority should ensure that a corporate-wide asset security document is compiled and made available to all relevant staff.</p>	<p>Suggest Auditor meets with Asset Manager to clarify scope of action required. Unclear where responsibility should sit within existing structure & better understanding of recommendation will inform choice of correct responsibility holder.</p>	<p>Outstanding:</p> <p>Appears to remain outstanding from discussions held. Richard Vialard (PwC) has discussed this issue with David Fletcher so that there is a greater understanding of what is required although a corporate response will be required.</p> <p>Re-raised as issue 6 above</p>	<p>Remedial action agreed</p> <p>Asset security policy, including non property assets to be prepared and approved.</p> <p>Responsibility for action</p> <p>Team Leader Estates & Asset Management</p> <p>Deadline for action</p> <p>31/05/08</p>

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
6	<p>We were informed that the Asset Information Officer sends out a bi annual proforma to 'asset owners' asking them to inform him of any additions, disposals or surplus assets. In addition the Capital Accountant would normally perform a similar task on a monthly basis where he/she would inform asset managers of assets under their control and the respective charges associated with these and requests that they confirm accuracy of this information by returning confirmation slips.</p> <p>However testing of these controls identified that they are not operating effectively as all staff are not completing returns.</p>	<p>● Medium</p>	<p>The Authority should ensure that all staff complete required documentation as part of the asset verification process and appropriate action is taken to chase any outstanding information.</p>	<p>Agreed Proforma to be issued. Asset Manager 30 September 2007. Capital appraisal process to be amended to include number & type of assets Assistant Head of Finance (Financial Mgt & Planning) 30th September 2007.</p>	<p>Outstanding: The previous control does not appear to have been operating during 2007/08 and no replacement form of asset verification has been established. Re-raised as issue 7 above</p>	<p>Remedial action agreed a) Capital appraisal process to be amended to include number & type of assets Assistant Head of Finance (Financial Mgt & Planning) b) Proforma to be issued. Responsibility for action a) Finance Manager (Capital and Treasury) b) Team Leader Estates & Asset Management Deadline for action 31/03/08 (for both)</p>
7	<p>Although exception reports detailing amendments made to standing data on the fixed asset register system (AIRS) can be produced, it was noted that only 1 such report is run at year end.</p>	<p>● Medium</p>	<p>The Authority should ensure that exception reporting functionality of the AIRS system is explored and relevant reports are regularly run that show amendments to standing data which should be reviewed for accuracy and reasonableness.</p>	<p>30th June 2007.</p>	<p>Outstanding: Whilst officially nothing has been updated on AIRS for 2007/08 no exception reports have been run to ensure that this is the case. Re-raised as issue 8 above</p>	<p>Remedial action agreed Exception reports to be run quarterly from 2008/09. Deadline reflects end of first quarter being 30 June. Responsibility for action Accountant (Systems) Deadline for action 31 July 2008</p>

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
8	<p>It was noted that all vehicles, plant and equipment are valued at depreciated replacement cost whereas the Resource Accounting Manual states this should only be used where no market value is ascertainable.</p>	<p>● Medium</p>	<p>The Authority should ensure that an annual exercise is performed to determine the market value for all vehicles, plant and equipment and depreciated replacement cost is only used as a last resort.</p>	<p>Disagree. Consider that depreciated replacement cost approach is most appropriate for these assets.</p>	<p>Outstanding: This is non-compliant with the SORP and, if this is not rectified, needs to be disclosed as such in the Financial Statements. Re-raised as issue 9 above</p>	<p>Remedial action agreed SORP Guidance for 2007/08 accounts states on page 83 that vehicles, plant and equipment should be valued at the lower of net current replacement cost or net realisable value. This will be complied with for the final accounts. Responsibility for action Assistant Head of Finance and Finance Manager (Capital and Treasury) Deadline for action 31/05/08</p>

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
9	<p>It was noted that there have been significant changes within Finance for capital accounting, partly due to the results of the Root and Branch exercise which has seen the post of Capital Accountant being left vacant but also the responsibility for capital accounting has been brought under the remit of revenue finance as part of the overall financial strategy.</p> <p>This appears to have caused some uncertainty over roles and responsibilities for year end processes.</p>	<p>● Medium</p>	<p>The Authority should ensure that roles and responsibilities in relation to Capital Accounting are assigned to appropriately trained staff and year end processes completed.</p>	<p>Agreed. Revised Finance structure being put in place includes a Finance Manager Treasury & Capital Accountant. Assistant Head of Finance (Financial Mgt & Planning) January 2008.</p>	<p>Implemented: Implemented by the appointment of Assistant Head of Finance (Financial Management & Planning) and Finance Manager Treasury & Capital Accountant. In addition recruitment has begun for two other individuals who will take on roles within Capital Accounting. However, it should be noted that there remains some uncertainty as to who is responsible for certain tasks as per Issue #2 above.</p>	n/a

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
10	It was noted that there is no independent review of the Capital Charges data uploaded to the general ledger by the Systems Accountant. As such potential inaccuracies in the posting of charges relating to capital assets may go undetected for months.	● Medium	The Authority should ensure that Capital charge information uploaded to the general ledger is subject to regular and timely review. This could entail a control such as reconciling a sample of charges expected to actual charges sent to given codes.	Agreed. Assistant Head of Finance (financial mgt & planning) 31 st October 2007.	Outstanding: Appears to remain outstanding from discussions held. Please advise if this is not the case. See issue 12 in findings and recommendations	Remedial action agreed Agreed – For 2007/08 only (due to lack of staff for the bulk of the year) this will be done at year end. Responsibility for action Finance Manager (Capital and Treasury) Deadline for action 31/05/08
11	It was noted that the AIRS system does not enforce regular password changes and instead emails are occasionally sent out asking staff to amend existing passwords.	● Medium	The Authority should seek this facility immediately from the software supplier and use it to enforce regular password changes for access to AIRS	Need clarification as to why this is outstanding as no action required.	Outstanding: Tony Skinner confirmed that this had been discussed with system provider but forgotten so he would follow this up to discover if this can be implemented in the new version of AIRS. Re-raised as issue 9 above	Remedial action agreed Systems have been in touch with AIRS and are currently awaiting a response. In the interim reminders will be sent to prompt password change. Responsibility for action Accountant (Systems) Deadline for action 30/06/08

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
12	<p>It was noted that nothing appears to be done at a corporate level to consider the utilisation of assets against the charge they generate to ensure they are used in an effective manner.</p> <p>Although it is considered to be the responsibility of individual budget holders to assess whether holding the asset is in their interests or not, whilst land and buildings may be identified as impaired/surplus to requirement during Property Review Group meetings this is not sufficient monitoring of utilisation and does not cover Plant, Vehicles and Equipment.</p>	<p> Low</p>	<p>The Authority should ensure that all assets are reviewed to assess their associated charges against value in use to ensure they are utilised appropriately.</p>	<p>Agreed. Finance Manager Capital and Treasury to investigate and manage review process. Assistant Head of Finance (financial mgt & treasury) 30th November 2007.</p>	<p>Outstanding: Appears to remain outstanding from discussions held. Re-raised as issue 10 above</p>	<p>Remedial action agreed Agreed Responsibility for action Finance Manager (Capital and Treasury) Deadline for action 30th November 2008</p>

Appendix 1 - Terms of Reference

The objectives of our review were to ensure that:

- there are approved policies and procedures in place for the treatment of fixed assets;
- acquisitions, disposals and transfers of Fixed Assets are identified and treated correctly;
- capital assets are completely and accurately recorded in line with the Local Authority Statement of Recommended Practice and are disclosed appropriately;
- adequate systems are in place to account for capital charges and revaluations and for verification of fixed assets;
- Fixed Assets are considered for indicators of impairment and whether they are surplus to operating requirements; and
- the Fixed Asset system is secure against unauthorised access and data loss.

Appendix 2 - Assurance ratings

Level of assurance	Description
High	No control weaknesses were identified; or 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.
Moderate	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.
Limited	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.
No	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.

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

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Northampton Borough Council Internal Audit Report 2007-08 Review of Electrical Services Overtime – (Commercial Section Only)

Report No. 07_08 NBC 14 – Final Report

Assurance rating this review	No Assurance
Assurance rating previous review	N/a

Distribution List

Keith Miller – Interim DSO Manager
Mark Humphries - Property Maintenance Manager
Isabell Procter – Corporate Director
Gavin Chambers – Head of Finance
Clive Thomas – Corporate Director
Councillor Perkins – Chair of Audit Committee

Contents

Section	Page
Background and scope	1
Our opinion and assurance statement	3
Limitations and responsibilities.....	6
Findings and recommendations	7
Appendix 1 - Terms of Reference	17
Appendix 2 - Assurance ratings	22

Timetable

Action	Planned date	Actual date
Agreement of terms of reference	21 February 2008	21 February 2008
Fieldwork start	4 March 2008	4 March 2008
Fieldwork complete	31 March 2008	31 March 2008
Draft report to client	14 April 2008	24 April 2008
Response by client	15 May 2008	10 June 2008
Final report	17 June 2008	4 July 2008

Background and scope

Introduction

This review was undertaken as part of the time allocated for internal audit work at the Westbridge Depot that was included within 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 overtime claimed within the Electrical Services Commercial Section only.

Following concerns raised by Senior Management in the Property Maintenance section over the level and potential controls over overtime, Internal Audit were commissioned by the Head of Finance to undertake a specific piece of work to look at overtime claimed.

As part of this review an assessment was made regarding the need for out of hours work and whether hours claimed represented actual work performed. This assessment included visits to sites where work had been performed and reviews of job sheets. We also reviewed timesheets, time off in lieu records, overtime forms submitted to Payroll and spoke to electricians employed within the Commercial team.

Given the nature of electrical work being performed in car parks and certain offices this is only practical out of normal office working hours. As such and with the current terms and conditions of staff it is inevitable that some overtime is needed.

The total overtime claimed and paid for the 7 members of staff within Commercial Electrician's team for the 14 months ending November 2007 was approximately £41,971. In addition to this time has also been taken of as time off in lieu but given the records held this would be difficult to quantify accurately.

Approach and scope

Approach

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

Scope

In accordance with our Terms of Reference (Appendix 1), agreed with the Head of Finance and Interim DSO Manager we undertook a limited scope audit of Electrical Services Overtime for the Commercial Section only.

Limitations of scope

The scope of our work was limited to those areas identified in the terms of reference as follows:

- We are not qualified to assess whether work undertaken and claimed for does appear to be reasonable and as such will require assistance from qualified staff from within Electrical Services to assist in any assessment. (David Wilkins has been nominated by Senior Management to assist in this role.)
- Our work will focus upon the controls in place over allocating, authorising and verifying overtime claimed and identifying any weaknesses. Testing will be performed and if in the event any fraudulent activity becomes apparent this will be raised with Senior Management prior to any further work being undertaken.
- We will only be able to consider whether or not work undertaken was valid and appropriately done as overtime, if the records held are sufficiently detailed to support conclusions.

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
Gavin Chambers – Head of Finance
Keith Miller – Interim DSO Manager
Mark Humphries – Property Maintenance Manager
Dave Wilkins – Electrical Services Team Leader
Steve Garlick – Electrical Services Supervisor
Mark Starmer - Electrical Services Assistant Supervisor
Darren Jane – Electrician
Dave Strand – Electrician
Hannah Lawrence – Temporary Administrative Assistant
Donna Newbold – Senior Clerk

Our opinion and assurance statement

Introduction

This report summarises the findings of our Review of Electrical Services - Commercial Section.

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 Authority's objectives in relation to: <ul style="list-style-type: none"> • the efficient and effective use of resources • the safeguarding of assets • the preparation of reliable financial and operational information • compliance with laws and regulations.
 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 Authority objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> • has a low impact on the achievement of the key system, function or process objectives; and/or • 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.

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	9
Medium	5
Low	0
Total	14

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 six weaknesses in the design of controls in relation to the Electrical Services, Commercial Section Overtime Review, three of which have been assessed as high risk. In our opinion these control weaknesses are likely to have a significant impact on the achievement of the key objectives of the system.

Operation of the controls under review

We identified eight instances where the controls were not operating as designed in practice at the time of our audit. Six of these control weaknesses have 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 Electrical Services, Commercial Section Overtime.

Value for Money

Given the nature of the review we found that the Authority is not getting value for money in respect of overtime being worked by the Electrical Services Commercial Team. This can be evidenced in issues 2, 6, 10 and 11 in the findings and recommendations section of this report.

Assurance statement

No assurance

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.

One of the key controls within the system relates to the role that the Supervisor performs. It is clearly evident that this control has failed given that overtime has been approved that is not in accordance with current terms and conditions and the lack of control being exercised over time off in lieu.

Follow-up

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.

In addition there is some ambiguity about whether overtime can be claimed during the flexi periods which requires further investigation by Human Resources.

Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of overtime claimed within the Commercial Section of the Electrical Services 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 Electrical Services 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
Control Design						
1	The level of overtime worked is not controlled.	<p>During testing of overtime claimed in September 2007 and November 2007 it was noted that there was no pre-approval of the work being undertaken.</p> <p>At the time of the review a system was being introduced to pre-approve overtime.</p>	<p>● High</p>	<p>Overtime should be pre-approved for all of the Commercial Electricians including the Supervisor.</p> <p>The new system to pre-approve overtime should be monitored closely and discrepancies between overtime approved and overtime claimed should be investigated further.</p>	<p>Audit confirmed this to be the case but since the start of the Audit overtime is controlled through pre-approval via Team Leader.</p>	<p>David Wilkins Electrical Services Team Leader. 1st May 2008</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
2	The current working practices may be inappropriate for the Commercial Electricians section.	During the audit it became apparent that there is a significant amount of work that is best done during evenings and weekends. Under current working arrangements this is being claimed as overtime and as such a shift system may be more appropriate due to these circumstances.	<ul style="list-style-type: none"> ● Medium 	<p>Consideration should be given as to whether the current system of working is appropriate for the Commercial Electrician's section.</p> <p>A shift system may be more suitable due to the large amount of work that ideally needs to be undertaken out of office hours.</p>	<p>Management accepts this. As part of the re-focusing of the DLO, post -APSE, negotiations are in progress regarding pay and conditions. This potentially includes split shifts from 07.30 –19.30.</p>	<p>Property Maintenance Manager/APSE.</p> <p>Date subject to negotiation on Pay and Conditions with unions but anticipated post October 2008.</p>
3	Overtime is allocated and claimed inappropriately.	Currently the Supervisor allocates overtime and then authorises it on the individual timesheets. However a number of issues have been highlighted with respect to what has been claimed as overtime and approved by the Supervisor.	<ul style="list-style-type: none"> ● Medium 	<p>The Authority should ensure that there is a clear understanding of what should and shouldn't be claimed as overtime and individuals responsible for checking claims should ensure accuracy and be held accountable for this.</p>	<p>Protocol being progressed for all DLO staff regarding overtime.</p>	<p>Property Maintenance Manager. Protocol in place June 30th 2008.</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
4	Excessive overtime could be claimed.	There are no checks in place to determine if the overtime hours being claimed have actually been performed.	<ul style="list-style-type: none"> ● Medium 	<p>Consideration should be given to undertaking spot checks on overtime being performed.</p> <p>At the time of the audit the Authority was planning to introduce tracker devices to vehicles. This could enable monitoring of whether overtime claimed is in line with the physical location of the vehicles.</p>	<p>Management accepts this. Trackers fitted and will assist monitoring purposes.</p>	<p>Property Maintenance Manager.</p> <p>Trackers fitted in April. A standard report is being progressed using tracking.</p> <p>End of June 2008.</p>
5	Overtime is claimed rather than flexi time being taken.	<p>The Union agreement with the Authority indicates that flexi time should be claimed during the period 4pm to 5:30pm. However from testing of timesheets it is clear that on the vast majority of occasions the electricians are claiming overtime during this period rather than flexi time.</p> <p>Overall there is a level of ambiguity over what can and can't be claimed as overtime or alternatively flexi time that needs to be clarified.</p>	<ul style="list-style-type: none"> ● Medium 	<p>The Authority should ensure that flexi time and overtime arrangements are clarified with electricians and overtime claims made only when appropriate.</p>	<p>Will be part of the protocol.</p>	<p>Property Maintenance Manager.</p> <p>Protocol in place June 30th 2008.</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
6	Flexi time is taken inappropriately.	<p>Testing of September and November timesheets to Flexi-time records identified the following:</p> <ul style="list-style-type: none"> On one occasion the assistant supervisor claimed 1 hr flexi time but their timesheet only showed them working their standard 7.5 hr day. A further instance was noted where the flexi time balance was increased by half an hour but this was not supported by the timesheet. We noted that an electrician took 3.5 hrs flexi time but their toil balance was not reduced. On one occasion an electrician was paid 1 hr overtime but they also claimed 1 hr flexi time. One electrician claimed 4 hrs flexi time for starting at 7am on four days on their flexi sheet but on the timesheet it stated they started at 8am, The flexi sheets were missing for the whole of November 2007 for two individuals. On one occasion we noted that the start and end dates were not recorded on flexi time record. 3 weeks flexi sheets were not completed and another was only partially completed. 	<ul style="list-style-type: none"> High 	<p>Flexi time sheets provide an important record of additional hours worked that are subsequently taken as time off in lieu.</p> <p>The Authority should ensure that controls are introduced so that flexi time records are fully completed, authorised and checked back to timesheets on a weekly basis.</p>	<p>Management accepts the comment.</p> <p>All Flexi/Overtime and timesheets seen by Team Leader on an exception basis.</p> <p>Details and monitoring carried out by Admin Senior Clerk on a weekly basis as part of their duties.</p> <p>Team Leader is authorised approval officer on a monitoring basis.</p> <p>Standard reports produced from tracking system for purposes cross reference time, date and location.</p>	<p>Electrical Services Team Leader and Admin Senior Clerk.</p> <p>1st May 2008.</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Control Effectiveness						
7	Overtime is being incurred for work that should be completed during standard working hours.	It was noted that the supervisor comes into work on most Saturdays and incurs overtime as a result. This time is usually coded to supervision but actually relates to administration and completing of paperwork.	<ul style="list-style-type: none"> ● Medium 	The Authority should ensure that the supervisor has sufficient time during the week to complete all paperwork to avoid the need for working on Saturday. Consideration could be given to providing administrative support if deemed necessary.	Management accepts this comment. This process is now carried out during standard time.	Supervision. April 2008.

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
8	There is no check on whether or not hours claimed have been worked.	During testing of September and November 2007 timesheets, three instances were noted where the supervisor's and assistant supervisor's timesheets were not authorised.	<p>● Medium</p>	The Authority should ensure that all timesheets are authorised by a more senior individual prior to processing by payroll.	<p>Management accepts the comment.</p> <p>Trackers assist in the monitoring process.</p> <p>All Flexi/Overtime and timesheets seen by Team Leader on an exception basis.</p> <p>Details and monitoring carried out by Admin Senior Clerk on a weekly basis as part of their duties.</p> <p>Team Leader is authorised approval officer on a monitoring basis.</p>	<p>Electrical Services Team Leader and Admin Senior Clerk.</p> <p>1st May 2008.</p> <p>Team Leader.</p> <p>30th June 2008.</p>
9	Hours worked cannot be verified.	Our review of timesheets found that these were not always being fully completed. We noted that start and end times were not always being recorded.	<p>● High</p>	The Authority should ensure that all timesheets are checked and if any information is missing these are returned to the individual prior to being authorised for payment.	<p>Accept comment.</p> <p>Trackers will assist in monitoring process.</p>	<p>Team Leader.</p> <p>April 2008.</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
10	Staff have been paid for time that they have not worked.	<p>Testing identified that on three occasions two electricians had put in claims for overtime but had not worked their standard 37 hour week. This included:</p> <ul style="list-style-type: none"> 14 hrs double time and 5 hours time and a half being claimed despite the employee only working 29.5 normal hours. 14 hrs double time and 13 hrs time and a half were claimed despite the employee only working 20.5 normal hours. 12 hours overtime was claimed despite the employee only working 29.5 normal hours. <p>In all cases the Payroll department had paid the individuals for their standard 37 hours and the additional overtime.</p> <p>These timesheets had been checked by the supervisor.</p>	<p>● High</p>	<p>The Authority should ensure that overtime is only claimed for hours worked that are above the individuals' standard working week.</p> <p>Consideration should be given as to whether or not the Authority wishes to recover any overpayments made or make request that individuals make up these hours through the time off in lieu system.</p> <p>The supervisor may need further guidance and training on what to do when checking timesheets or this task should be re-assigned.</p>	<p>The cost of investigating possible overpayment may be deemed in excess of all the total amounts claimed also given that some people who may be affected, are no longer with the authority this may prove expensive and difficult to reclaim.</p> <p>All appropriate staff including supervisors to be given training on a new protocol, this will also include new employees.</p>	<p>Property Maintenance Manager and Electrical Team leader.</p> <p>Implementation date: n/a</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
11	The Authority is overpaying staff.	<p>Testing of September and November 2007 timesheets found that the 2 electricians and 2 apprentices had claimed double time when in fact they should only have claimed time and a half. These timesheets had been checked by their supervisor and yet the following were allowed:</p> <ul style="list-style-type: none"> • 14 hrs double time was claimed midweek for one individual. • 39 hrs double time was claimed midweek for one individual. • 10 hrs double time was claimed midweek for one individual. • 15 hrs double time was claimed midweek for one individual. 	<p>● High</p>	<p>Going forward the Authority should ensure that double time is only claimed where appropriate. This should have been identified by the supervisor when checking timesheets.</p> <p>Consideration should be given as to whether or not the Authority wishes to reclaim overtime that has been wrongly claimed as double time as opposed to time and a half.</p> <p>This would require the checking of timesheets back to October 2006 when the current agreement came into place.</p> <p>The supervisor may need further guidance and training on what to do when checking timesheets or this task should be re-assigned.</p>	<p>The cost of investigating possible overpayment may be deemed in excess of all the total amounts claimed also given that some people may be affected, who are no longer with the authority, this may prove expensive and difficult to reclaim.</p> <p>All appropriate staff including supervisors to be given training on a new protocol, this will also include new employees.</p>	<p>Property Maintenance Manager and Electrical Team leader. Implementation date: n/a</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
12	The Authority is making overtime payments for work that hasn't been delivered.	Our testing identified an instance where an electrician had claimed 3.5 hrs overtime on one day but their timesheet stated that they finished at 3pm. Again this timesheet had been submitted to the supervisor for checking.	● High	The supervisor may need further guidance and training on what to do when checking timesheets or this task should be re-assigned to avoid potential overpayments being made.	All appropriate staff including supervisors to be given training on a new protocol, this will also include new employees.	Property Maintenance Manager. Protocol in place June 30th 2008.
13	Records are not maintained to support payments made.	We were unable to locate three missing timesheets. Although no overtime had been paid in relation to these, we were unable to ascertain whether standard hours had been worked.	● High	The Authority should ensure that all timesheets are completed and retained on file.	Management accepts the comment. All Flexi/Overtime and timesheets seen by Team Leader on an exception basis. Details and monitoring carried out by Admin Senior Clerk on a weekly basis as part of their duties. Team Leader is authorised approval officer on a monitoring basis.	Electrical Services Team Leader and Admin Senior Clerk. 1st May 2008.

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
14	<p>There is a greater risk of personal injury if employees are working long periods without taking breaks.</p> <p>Overtime could have been claimed when employees where actually taking breaks.</p>	<p>There were a number of instances noted where long periods of overtime were claimed at weekends without any account being taken for breaks. For example we found:</p> <ul style="list-style-type: none"> • A couple of instances where 9 hrs had been claimed on a Saturday • An instance where 11.5 hrs were claimed on a Saturday followed by 17 hrs on a Sunday. 	<p>● High</p>	<p>The Authority should ensure that staff are required to take appropriate breaks even when working overtime. Hours recorded on timesheets should also take into account these breaks.</p>	<p>Enforce breaks as part of protocol.</p>	<p>Property Maintenance Manager. Protocol in place June 30th 2008.</p>

Appendix1 - Terms of Reference

Northampton Borough Council
Internal audit 2008/09

Terms of Reference

Review of Electrical Services –
Commercial Section

February 2008

Contents

- I. Objectives and deliverables
- II. Our scope and approach
- III. Stakeholders and responsibilities
- IV. Audit Team

Objectives and deliverables

Background

Following concerns raised by Senior Management in Property Maintenance, Internal Audit have been commissioned to undertake a specific piece of work in relation to the level of overtime being claimed by Electrical Services Trade Staff and Supervisors working within the Commercial Section.

Objectives

Our objective is to review the manner in which overtime is being allocated, claimed, approved and verified.

Deliverables

Our deliverable will be a report detailing our findings with regard to the manner in which Electrical Services allocate and confirm overtime hours worked within the Commercial Section. It will also comment on the adequacy of the policies and procedures in place together with any identified effectiveness, efficiency and compliance issues.

Scope and approach

To undertake an independent review of the manner in which overtime is being allocated, claimed and verified within the Commercial Section of Electrical Services. Emphasis is to be placed on the following concerns raised by Senior Management shown below:

- Whether overtime has been claimed for work that could have been undertaken in normal working hours.
- Amount of overtime claimed has been overestimated or claimed for work that was not performed.
- Overtime is not being authorised prior to being incurred.
- Assessing the distribution of overtime across Electrical Services and reasons for any disparities.
- Review to be focused upon overtime claimed during 2007/08.

Limitations to scope

We are not qualified to assess whether work undertaken and claimed for does appear to be reasonable and as such will require assistance from qualified staff from within Electrical Services to assist in any assessment. (David Wilkins has been nominated by Senior Management to assist in this role.)

Our work will focus upon the controls in place over allocating, authorising and verifying overtime claimed and identifying any weaknesses. Testing will be performed and if in the event any fraudulent activity becomes apparent this will be raised with Senior Management prior to any further work being undertaken.

We will only be able to consider whether or not work undertaken was valid and appropriately done as overtime, if the records held are sufficiently detailed to support conclusions.

Our approach

We will establish the manner in which overtime is being allocated within the Commercial Section of Electrical Services, assess the level of controls in place and suggest improvements where applicable. This will be achieved through interviewing supervisors within Electrical Services who are responsible for allocating and authorising overtime.

Evaluate overtime being claimed across Electrical Services to establish if the Commercial Section is out of proportion to other Electricians.

Test a sample of overtime claims submitted by staff within Commercial Section of Electrical Services and review what work was undertaken. With the assistance of the contact nominated by Senior Management we will look to establish whether work has been completed, amount of time claimed appears reasonable and any materials charged for look to have been used.

Stakeholders and responsibilities

Role	Contacts	Responsibilities
Head of Finance	Gavin Chambers	<ul style="list-style-type: none"> Review and approve draft terms of reference Review and meet to discuss issues arising Review draft report and final reports.
	Keith Miller & Mark Humphries & Carl Grimmer	<ul style="list-style-type: none"> Review and meet to discuss issues arising and develop management responses and action plan Review draft report and final reports. Implement agreed recommendations and ensure ongoing compliance.
Team Leader – Electrical Services	David Wilkins	<ul style="list-style-type: none"> Primary point of contact for arranging fieldwork. To assist in assessing work undertaken and claimed for.

Our team

Engagement Leader	Mark Jones
Engagement Manager	Chris Dickens
Team Leader	Mundip Sohal
Team Member	Matthew Plummer
Counter Fraud Specialist	Neil Mohan

Budget

Our estimated budget for this assignment is 10 days. If the number of days required to perform this review increases above the number of days budgeted, we will bring this to management attention.

Appendix 2 - Assurance ratings

Level of assurance	Description
High	<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>
Moderate	<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>
Limited	<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>
No	<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>

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

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AUDIT COMMITTEE

AGENDA STATUS: PUBLIC

Report Title	External audit: briefing note for Audit Committee
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Date of Meeting:	2 December 2008
Directorate:	Finance
Ward(s)	N/A

1. Summary

Please see report attached.

2. Recommendations

N/A

3. Report Background

N/A

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 gave an unqualified opinion on the Authority's accounts on 30 September 2008, which was our target date for signing off. This represents progress over 2006/07, when we were not able to issue our opinion until 18 October, and reflects the improvements which the Authority has put in place and our work jointly with officers to coordinate the accounts production and audit processes.

Our *Report to Those Charged with Governance* (ISA260 report), presented to the Committee on 25 September 2008, set out the issues arising through our audit up to that point. No further significant issues arose subsequently which require bringing to members' attention.

Overall, the Authority has improved its process for producing the accounts and preparing them for audit. However, whilst these have both improved compared to 2007, there remains the need for improvements in working papers and in the process for responding to audit queries.

We are currently drafting our Annual External Audit Report which will set out our findings in more detail.

2 Use of Resources and Data Quality assessments

We have now completed our work on the Use of Resources assessment for 2008. We have debriefed officers on our proposed scores and are currently awaiting confirmation of these from the Audit Commission. We will then be in a position to present our findings formally to members. We will report on our assessment in our Annual External Audit Report.

We are currently concluding our Data Quality assessment for 2008. This indicates that further progress has been made to improve the Authority's arrangements. Where we identify further opportunities to improve, we will make recommendations in our Annual External Audit Report.