

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in the on Tuesday, 2 June 2009 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 UPDATE AND BUSINESS CONTINUITY REPORT
Report of Corporate Risk and Business Continuity Manager. S. Morrell X8420
7. ANNUAL AUDIT LETTER
Report of Director of Finance and Support. I Procter X 8757
8. UPDATES REQUESTED FROM 17 FEBRUARY AUDIT COMMITTEE
 - (A) HOUSING RENTS
Update from the Director of Housing L Wearing X 7554
 - (B) IBS PROJECT UPDATE
Update from the Director of Housing L Wearing X 7554
9. AUDIT REPORTS REVIEWS
 - (A) BANK RECONCILIATIONS
Report of Head of Finance and Assets B Lewis X 7167
 - (B) PAYROLL
Report of Head of Head of H.R. and Head of Finance and Assets C Wilson X 7377
G. Chambers X 7194
10. ANNUAL INTERNAL AUDIT REPORT
Report of the Internal Auditor D Brett, External Auditor (KPMG)

11. REVIEW OF OUTSTANDING AUDIT RECOMMENDATIONS
(A) Report of Head of Finance and Assets
G. Chambers
X 7194
12. EXTERNAL AUDIT UPDATE
Report of the External Auditor
C Dickens,
Internal Auditor
(PWC)
13. EXCLUSION OF PUBLIC AND PRESS
THE CHAIR TO MOVE:
"THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT."

SUPPLEMENTARY AGENDA

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

- | | | | |
|-----|--|-----|----------------------|
| 14. | CARPARKING REPORT Update from the Town Centre Manager | (3) | D. Simpson X 8514 |
|-----|--|-----|----------------------|

Appendices



Item No.

6

NORTHAMPTON
BOROUGH COUNCIL

DRAFT
AUDIT COMMITTEE REPORT

| | |
|---------------------|-------------------------------|
| Report Title | Risk Management Update |
|---------------------|-------------------------------|

AGENDA STATUS: PUBLIC

| | |
|------------------------------------|---------------------------|
| Meeting Date: | 2 nd June 2009 |
| Directorate: | Finance and Support |
| Accountable Cabinet Member: | Malcolm Mildren |
| Ward(s) | Not Applicable |

1. Purpose

- 1.1 To provide an update on recent progress in business continuity management across the authority.

2. Recommendations

- 2.1 To note recent progress in business continuity management across the authority.
- 2.2 To note the draft list of critical functions.

3. Issues and Choices

3.1 Report Background

- 3.1.1 At the Committee meeting on 17th February 2009, the Audit Committee requested 'that the Business Continuity Plan be submitted to the next meeting of this Committee for consideration'.
- 3.1.2 Due to the timing of this meeting, it is not possible to circulate the continuity plans for each service area, however this report sets out the progress to date and details the next steps in the development of the Council's continuity arrangements.

3.2 Issues

- 3.2.1 The original plan was to develop the Corporate Business Continuity Plan and the Service-level Business Continuity Plans in parallel, however, it quickly became apparent that the information required to complete the corporate-level plan was heavily dependent on the needs and requirements identified through the service-level plans. Therefore it has been decided to complete

the service-level plans, providing the service areas with a significant element of self-resilience, and then develop the over-arching Corporate-level plan.

- 3.2.2 Over the last few months, work has been undertaken across all services to identify the Council's critical functions. In the event of a major disruption, this enables the Council to quickly understand its priorities and focus resources accordingly. This work builds on a previous exercise undertaken by the Council. A draft list of the critical functions is attached.
- 3.2.3 The service areas that have critical functions are then required to develop Business Continuity Plans covering each of the critical functions within their area. A guidance note and template has been developed to assist the development of these plans. A copy of the guidance note is attached.
- 3.2.4 In light of the current flu situation, a number of business continuity actions have been brought forward. This included the prioritisation of the arrangements specific to the temporary loss of staff. An extract from a note circulated at a recent Corporate Briefing is attached to this report to illustrate the issues Managers are being asked to consider.
- 3.2.5 The aim is for all service areas to have draft continuity plans in place by the end of May, in particular arrangements for loss of staff.
- 3.2.6 Business Continuity Plans cannot be considered completely reliable until they have been exercised and tested. A series of desktop and live exercise will be undertaken providing valuable lessons learned that could be incorporated within the plans.
- 3.2.7 Under the Civil Contingencies Act 2004, all Local Authorities have a responsibility to provide advice and assistance to businesses and voluntary organisations about business continuity management.
- 3.2.8 A link has been included on the Council's web site 'Preparing for emergencies'. This links through to excellent supporting information on the Direct.Gov site. Additionally, the Council is working in collaboration with other Councils within Northamptonshire to produce a leaflet, generic web page and tool-kit, specifically designed to support the wider business community.
- 3.2.9 A permanent Risk and Business Continuity Manager has now been appointed.

3.3 Choices (Options)

- 3.3.1 To suggest any additional areas to cover in future updates.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 None.

4.2 Resources and Risk

- 4.2.1 This report provides an update on the progress being made to ensure that risk mitigations and business continuity arrangements are in place across the Council and that these mitigations and plans are reviewed and tested on a regular basis.

4.3 Legal

- 4.3.1 Under the Civil Contingencies Act 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.”
- 4.3.2 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.
- 4.3.3 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.

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 Head of Finance & Assets and the Director of Finance & Support have been asked to comment on this report.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 Reduction in interruptions to service delivery.
- 4.6.2 Continuity of critical Council activities.
- 4.6.3 Enabling the Council to act proactively, avoiding reactive management wherever possible.
- 4.6.4 Protecting and enhancing the reputation of Northampton Borough Council.

4.7 Other Implications

- 4.7.1 Not applicable

5. Background Papers

- 5.1 Draft list of the Council’s Critical Functions.
- 5.2 Business Continuity Guidance Note and Template.
- 5.3 Corporate Briefing Note - Business continuity actions specific to temporary loss of staff.

Sue Morrell, Risk and Business Continuity Manager, ext 8420.

Draft Critical Functions

Finance and Support

| Service Area | Description | Category |
|------------------------|---|----------|
| Human Resources | Corporate Health and Safety | CF1 |
| | Pay & Grading | CF2 |
| Customer Services | Switchboard | CF1 |
| | ACD configuration | CF1 |
| | Emergency Repairs Call Handling | CF1 |
| | One Stop Shop or face to face access | CF2 |
| | General Call Handling – Contact Centre (Housing, Streetscene, Revs and Bens) | CF2 |
| | | |
| ICT | I.C.T. Helpdesk | CF1 |
| | PC Support | CF1 |
| | Data Network Infrastructure | CF1 |
| | Voice Network Infrastructure | CF1 |
| | Server and Storage Area Network Support | CF1 |
| | Email and Internet Access | CF1 |
| | Business Application Support | CF2 |
| | Application Production Support | CF2 |
| | Operational Server Support / Environmental Control / Data Storage/ Security Backups | CF2 |
| | I.C.T Administration (Procurement and Supplies) | CF2 |
| | SQL/Progress DBA function | CF2 |
| | Internet and Intranet Support | CF2 |
| | Geographical Information Systems | CF2 |
| | Technical Consultancy | CF2 |
| | I.C.T. Development | CF3 |
| I.C.T Asset Management | CF3 | |
| Facilities Management | Key Holding Opening of buildings | CF1 |
| | Disarming of Intruder Alarm | CF1 |
| | Access/Entry System | CF1 |
| | Evacuations | CF1 |
| | Security/guard | CF1 |
| | Supply of Meeting Rooms & hospitality - Internal & External | CF1 |
| | Cleaning of Buildings | CF2 |
| | Mail Delivery and Collection | CF2 |
| | Supply of Halls for Functions/Weddings Receptions etc. | CF3 |
| | Supply of Area for Wedding/Civil Ceremonies | CF3 |

| | | |
|---------------------------|--|---|
| Finance and Assets | Payroll* | CF1 |
| | Transactional banking | CF1 |
| | Final accounts, budget and council tax setting* | CF1 |
| | Co-ordination of instruction of urgent repair works to corporate properties (not performance of actual repair works) | CF1 |
| | Treasury Management | CF2 |
| | Rent setting* | CF2 |
| | VAT | CF3 |
| | CIS and Inland Revenue returns | CF3 |
| | S151 officer | CF3 |
| | Revenues and Benefits | Housing Benefit – rent allowances (Private tenants) |
| Council Tax Collection | | CF2 |
| Systems / support team | | CF2 |
| Benefit Visiting Officers | | CF3 |
| Procurement | No critical functions | N/A |

* At a specific time of month/year.

Housing

| Service Area | Description | Category |
|--------------------------------------|---|----------|
| Strategy, Investment and Performance | No critical functions. | N/A |
| Landlord Services | Emergency Repairs | CF1 |
| | Urgent Repairs | CF2 |
| Housing Needs and Support | Gateway Assessments | CF1 |
| | Homelessness Investigations | CF1 |
| | Private sector housing - duty | CF1 |
| | Provision management of temporary accommodation | CF1 |
| | Social alarm for community | CF1 |
| | Out of hours call – social services | CF1 |
| | Hard-wired alarm system | CF1 |
| | Daily visits – Level 3s | CF1 |
| | Hospital discharge assessments | CF1 |
| | Emergency response service – coordinators | CF1 |
| | Daily visits – Level 2s | CF2 |
| | Daily visits – Level 1s | CF2 |
| | Installation of life line – hospital discharge | CF2 |
| Housing advice – telephone service | CF2 | |

Environment and Culture

| Service Area | Description | Category |
|--------------------------------------|--|----------|
| Public Protection | CCTV | CF1 |
| | H&S Emergency Prohibition | CF1 |
| | Food Hygiene Emergency Prohibition | CF1 |
| | Investigation of a serious infectious disease e.g. legionnaires, E Coli 0157 etc | CF1 |
| | Investigation of a serious incident e.g. fatal accident or other serious accident or incident e.g. a major chemical alert. | CF1 |
| | Responding to statutory nuisances e.g. alarms, blocked drains, accumulations | CF3 |
| | Investigation of less serious infectious diseases | CF3 |
| Neighbourhood Environmental Services | Burials | CF1 |
| | Management of Waste Operations (Staff/Office) | CF1 |
| | Westbridge Gatehouse | CF1 |
| | Fuel Supply for Council Vehicles | CF1 |
| | Alternate Weekly Domestic Waste Collections In The Black Wheelie Bins | CF2 |
| | Weekly Collection Of Domestic Waste In Black Sacks | CF2 |
| | Clinical Waste Collections | CF2 |
| | Business Waste Collections | CF2 |
| | Town Centre Cleansing | CF2 |
| | Bin/Box/Sack Deliveries | CF3 |
| Culture and Leisure | Leisure Centres – Danes Camp, Lings Forum - to be used as 'reception centres' in the event of an emergency. | CF1 |
| Town Centre Management | Bus Station - Management | CF 3 |
| | Car Parking | CF 3 |
| | Markets | CF 3 |

Assistant Chief Executive

| Service Area | Description | Category |
|-----------------------------|------------------------|----------|
| Community Engagement | No critical functions. | N/A |
| Performance and Improvement | No critical functions. | N/A |

| | | |
|----------------|--|-----|
| Communications | External communications - media | CF1 |
| | External communications - partners | CF1 |
| | Internal communications (Live News / All User email) | CF1 |
| | Website / intranet home page updates | CF1 |
| | Time sensitive Corporate marketing activities | CF1 |

Planning and Regeneration

| Service Area | Description | Category |
|------------------------------|---|----------|
| Planning | Dangerous Structures | CF1 |
| | Unlawful demolition of listed buildings | CF2 |
| | Central Area Action Plan | CF2 |
| | Planning Support (Cliftonville Reception/Duty Officers) | CF2 |
| | Joint Planning Unit | CF2 |
| | Development control (planning applications and appeals) | CF3 |
| Regeneration and Development | No critical functions. | N/A |

Chief Executive

| Service Area | Description | Category |
|------------------------|--|----------|
| Senior Management Team | Availability of Senior Management Team | CF1 |
| Legal services | Court and Tribunal attendance for planned and emergency hearings, and urgent service of Planning Enforcement Stop Notices. | CF1 |
| | Provision of general legal advice related to the event | CF1 |
| | Provision of Monitoring Officer advice in relation to the event | CF1 |
| | Elections* | CF1 |
| | Legal Administration supporting court etc attendance | CF3 |
| | Committee Administration | CF3 |

* At a specific time of month/year.

Categories:

- 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)

Business Continuity

Introduction into Business Continuity Management

Business Continuity Management is about identifying those services that the Council cannot afford to lose (in terms of vulnerable residents, financial loss, loss of reputation) and planning how to maintain those services if an incident or major disruption should occur.

Under the Civil Contingencies Act 2004 the Council has a responsibility 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”*.

Business continuity is not about managing the emergency, this is covered under emergency planning, but is concerned with the delivery of critical functions immediately following an emergency or disruption.

Identification of Critical Functions

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 B of the Risk and Business Continuity Management Handbook.

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.

It can be undertaken as a workshop or as part of a team meeting. The outputs from this stage need to be recorded. Using a table can be a useful way of recording the outcomes. See Table 1 below.

Table 1

| SERVICE DESCRIPTION | IMPACT OF NOT DELIVERING THE SERVICE | LENGTH OF TIME REQUIRED (0-24 HRS, 1-3 DAYS, 3-7 DAYS, MORE THAN 1 WEEK) | TYPE OF RESOURCES REQUIRED (PEOPLE, TRANSPORT, PREMISES) | LEVEL OF RESOURCES REQUIRED (6 PEOPLE, 4 WORK AREAS WITH PC'S) |
|----------------------------|---|---|---|---|
| | | | | |

Task 1 - List all the services your service area/team delivers.

Task 2 - Consider the impacts on all service stakeholders of not delivering that service, the extent and severity of the impact.

- Considering what is provided to whom, how, when, where and why.

Task 3 - Identify how quickly each service needs to be up and running again in order to limit significant impacts on stakeholders.

- **Remember** – *we are not looking to resume all services to their normal operating standards.*
- For consistency please use the following timings:
 - 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)

Those services falling within the Critical Function classifications above are the key services that need a Business Continuity Plan in place and are the services that should be focused on in the remaining stages of the process.

Task 4 - 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. Table 2 provides a useful series of questions to be used as a prompt.

Table 2 – Questions to consider when quantifying the resources you require to maintain your critical activities.

| | |
|--|--|
| <p>People</p> <ul style="list-style-type: none"> • What is the optimum number of staff you require to carry out your critical service? • What is the minimum staffing level with which you could provide some sort of service? • What skills/level of expertise is required to undertake these activities? | <p>Technology</p> <ul style="list-style-type: none"> • What IT is essential to carry out your critical activities? • What systems and means of voice and data communication are required to carry out your critical activities? <p>Information</p> <ul style="list-style-type: none"> • What information is essential to carry out your critical activities? • How is this information stored? |
| <p>Premises</p> <ul style="list-style-type: none"> • What locations do your critical activities operate from? • What alternative premises do you have? • What plant, machinery and other facilities are essential to carry out your critical activities? | <p>Suppliers and Partners</p> <ul style="list-style-type: none"> • Who are your priority suppliers/partners whom you depend on to undertake your critical activities? • Do you tender key services out to another organisation, to whom, for what? • Do you have any reciprocal arrangements with other organisations? |

HM Government, Business Continuity Management Toolkit.

Risk and Impact Identification

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.

The risk and impact identification stage in this process may have already been undertaken as part of your routine risk identification and management activities, please refer to section 2.4 of the Risk Management Strategy. However, detailed below are a few helpful points to consider.

- The Community Risk Register found on the following link is a useful document when considering the risks facing the authority.

<http://www.northamptonshire.gov.uk/Safety/EP/community.htm>

- When considering the type of risk that could affect your services e.g. flood, flu pandemic, fire and the impact that risk could have, bear in mind that most risks will result in one or more of the following impacts to your service:

- Loss of staff
- Loss of premises
- Loss of utilities (water, gas, electricity)
- Loss of systems IT, telecommunications
- Loss of transport
- Loss of key supplier

- As with any risk management process, you now need to decide how the risk should be managed i.e.:

- Treat (manage it)
- Tolerate (live with it)
- Transfer (insure it or get a 3rd party to manage it)
- Terminate (change, suspend or terminate a service)

Decide what action should be taken and develop a strategy for meeting the recovery time as defined above. Please see Table 3 to assist in developing a strategy.

Table 3 – Tactics you could adopt to protect your resources.

| | |
|--|--|
| <p>People</p> <ul style="list-style-type: none"> • Inventory of staff skills not utilised within their existing roles – to enable redeployment. • Process mapping and documentation – to allow staff to undertake roles with which they are unfamiliar. • Multi-skill training of each individual. • Cross training of skills across a number of individuals. • Succession planning. • Use of third party support, backed by contractual agreements. • Geographical separation of individuals with core skills can reduce the likelihood of losing all those capable of undertaking a specific role. | <p>Premises</p> <ul style="list-style-type: none"> • Relocation of staff to other accommodation owned by NBC. • Displacement of staff performing less urgent business processes with staff performing a higher priority activity. Care must be taken when using this option that backlogs of the less urgent work do not become unmanageable. • Remote working – this can be working from home or working from other locations. • Use premises provided by other organisations. • Alternative sources of plant, machinery and other equipment. |
| <p>Technology</p> <ul style="list-style-type: none"> • Maintaining the same technology at different locations that will not be affected by the same business disruption. • Holding older equipment as emergency replacement or spares. | <p>Suppliers and Partners</p> <ul style="list-style-type: none"> • Storage of additional supplies at another location. • Dual or multi-sourcing of materials. • Identification of alternative suppliers. • Encouraging or requiring suppliers/partners to have a validated business continuity capability. • Significant penalty clauses on supply contracts. |
| <p>Information</p> <ul style="list-style-type: none"> • Ensure data is backed up and it is kept off site. • Essential documentation is stored securely (e.g. fire proof safe). • Copies of essential documentation are kept elsewhere. | <p>Stakeholders</p> <ul style="list-style-type: none"> • Mechanisms in place to provide information to stakeholders. • Arrangements to ensure vulnerable groups are accommodated. |

HM Government, Business Continuity Management Toolkit.

Business Continuity Plan

Develop a Business Continuity Plan for each Critical Function that sets out how you will deliver the strategy above. Decide whether your plans should be developed by Service or Critical Function. Start with the most critical services first i.e. those defined as a CF1 or CF2.

Standard components of a Business Continuity Plan. Please use the NBC template.

- Document control – distribution list, version control
 - Document owner and maintainer.
 - Purpose and scope – relationship to other plans, services to be included.
 - Plan invocation – set out who has the responsibility to invoke the plan, circumstances for invocation.
 - Roles and responsibilities – individuals with a role in the implementation of the plan.
 - Location from which an incident will be managed.
 - Communication arrangements – plans for communicating with staff, stakeholders.
 - Set out critical activities and recovery times
 - Resource requirements and arrangements
 - Contact details – for all key stakeholders and staff involved in the plan.
- A Business Continuity Plan should be short and simple; if the information is not required during the immediate response then it should not be included in the plan.

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.

Assistance and support with testing and exercising Business Continuity Plans is available from the Risk and Business Continuity Manager.

A schedule of routine testing and review of Business Continuity Plans will be developed as part of the Strategy Action Plan.



Northampton Borough Council

***(Insert service/department)* Business Continuity Plan**

(Template)

Version:
Approved By:
File name:
Document Owner:

Contents Page

1. Document Control

(document owner and maintainer)

Distribution List

| Name | Location Of Plan |
|------|------------------|
| | |
| | |
| | |
| | |
| | |
| | |
| | |

Record of Amendments

| Date | Version number | Detail of amendment/revision | Amended/revised by |
|------|----------------|------------------------------|--------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

2. Purpose and Scope

Relationship to other plans, services to be included, brief description of services.

3. Plan Invocation/Activation

*Who has the responsibility to invoke the plan, circumstances for invocation.
Activation checklist.*

4. Roles and Responsibilities

Details of individuals with a specific role in plan and details of the role.

| Name | Role/Tasks |
|------|------------|
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

5. Location from which the incident will be managed.

Details of location. Address, Contact name, telephone number.

6. Communication Arrangements

Plans for communicating with staff and stakeholders, standard messages.

7. Critical Functions and Recovery Times

Agreed critical functions.

| Critical Function 1 - Brief Description | Impact on NBC if service not delivered | Recovery time |
|--|---|----------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

| Critical Function 2 - Brief Description | Impact on NBC if service not delivered | Recovery time |
|--|---|----------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

| Critical Function 3 - Brief Description | Impact on NBC if service not delivered | Recovery time |
|--|---|----------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

8. Resource Requirements for Critical Functions

(Minimum requirements to achieve recovery time for critical functions).

Critical Function 1s

| | |
|--|--|
| Function Description | |
| Staff | <i>Number of staff, knowledge and skills required.</i> |
| Accommodation | <i>Desk space. Home working etc.</i> |
| Agreed Alternative Accommodation Arrangements | <i>Address, contact name and telephone number.</i> |
| Systems (IT and comms) | <i>Back up/recovery processes. Network connection, telephone access etc.</i> |
| Hard Data | <i>Files, paperwork.</i> |
| Other | |

Critical Function 2s

| | |
|--|--|
| Function Description | |
| Staff | <i>Number of staff, knowledge and skills required.</i> |
| Accommodation | <i>Desk space. Home working etc.</i> |
| Agreed Alternative Accommodation Arrangements | <i>Address, contact name and telephone number.</i> |
| Systems (IT and comms) | <i>Back up/recovery processes. Network connection, telephone access etc.</i> |
| Hard Data | <i>Files, paperwork.</i> |
| Other | |

Critical Function 3s

| | |
|--|--|
| Function Description | |
| Staff | <i>Number of staff, knowledge and skills required.</i> |
| Accommodation | <i>Desk space. Home working etc.</i> |
| Agreed Alternative Accommodation Arrangements | <i>Address, contact name and telephone number.</i> |
| Systems (IT and comms) | <i>Back up/recovery processes. Network connection, telephone access etc.</i> |
| Hard Data | <i>Files, paperwork.</i> |
| Other | |

9. Contact Details

For all key stakeholders and staff involved in the plan.

Staff

| Name | Job Title | Contact Details | Home location/walk to work? |
|------|-----------|-----------------|-----------------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Stakeholder

| Name | Role | Contact Details |
|------|------|-----------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Other Useful Contacts

| Name | Role | Contact Details |
|------|------|-----------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Business Continuity Actions - Specific to temporary loss of staff

Within each Service Area:

- Check all critical functions have been identified and approved by the Director, consider those functions that become critical at a particular time of year e.g. Elections. This information should be included within the current Service Plans.
- Gather contact numbers for staff and stakeholders.
- Identify minimum staffing levels required to maintain critical functions.
- Identify the essential skills, qualifications or experience necessary to carry out these functions.
- Identify and plan alternative staffing options e.g. other departments with similar staff requirements, secondment from non-critical functions, use of external agencies, mutual aid from other organisations with non-critical functions, shadowing within teams.
- Agree the authority required to second staff.
- Identify trigger level to suspend non-critical activities (i.e. point below which staffing levels have to drop). Agree the authority required to suspend activities (Director, Management Board, Chief Executive).
- List the stakeholders who need informing if non-critical activities are suspended.
- Where relevant, write back up step-by-step procedure notes for critical functions.
- Identify known pinch points over the next 6 months i.e. holiday periods, important deadlines.
- Advice and assistance available from Sue Morrell, Risk and Business Continuity Manager ext. 8420.
- Business Continuity Guidance note and plan template available.

If the situation escalates:

- Propose the adaptation of the Weekly Absence Return Form to include additional information i.e. current levels of absence, those absent due to flu, critical issues that require escalation to Director, Management Board.
- Information to be collated into one weekly summary report to Management Board.

Appendices



Item No.

7

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

| | |
|---------------------|---|
| Report Title | Annual Audit and Inspection Letter |
|---------------------|---|

AGENDA STATUS: PUBLIC

| | |
|--------------------------------------|----------------------------|
| Audit Committee Meeting Date: | 2 June 2009 |
| Policy Document: | NO |
| Directorate: | Governance and Improvement |
| Accountable Cabinet Member: | Malcolm Mildren |

1. Purpose

1.1 To present the 2007/08 Annual Audit and Inspection Letter from the Audit Commission.

2. Recommendations

2.1 Note the report

3. Issues and Choices

3.1 Report Background

3.1.1 The Annual Audit and Inspection Letter for 2007/08 was received from the Audit Commission in March 2009.

3.1.2 The attached report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.

3.2 Issues

- 3.2.1 The attached report contains detail on the Audit Commission's view of the Council's overall service performance, the external audit of the 2007/08 accounts and their assessment of value for money processes and outcomes.
- 3.2.2 The key messages contained within the report, which starts from page 3, notes the significant progress has made by the Council over the last year.

3.3 Choices (Options)

- 3.3.1 N/a

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 N/A

4.2 Resources and Risk

- 4.2.1 None

4.3 Legal

- 4.3.1 N/a

4.4 Equality

- 4.4.1 N/a

4.5 Consultees (Internal and External)

- 4.5.1 The contents of the attached report, as noted on page 15 of the report, were discussed and agreed with the Chief Executive.

4.6 Other Implications

- 4.6.1 N/a

5. Background Papers

- 5.1 N/A

Isabell Procter
Director of Finance and Support

Annual Audit and Inspection Letter

Northampton Borough Council

Audit 2007/08

March 2009



Contents

| | |
|---|-----------|
| Key messages | 3 |
| Purpose, responsibilities and scope | 5 |
| How is Northampton Borough Council performing? | 6 |
| The audit of the accounts and value for money | 12 |
| Looking ahead | 14 |
| Closing remarks | 15 |

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Key messages

- 1 Significant progress has been made by the Council over the last year. The rate of service improvement has accelerated to a level that is now consistent with other council's, the processes for securing and improving value for money have improved considerably and government monitoring has reduced significantly. The Council still has much to do to match better performing councils but there is awareness within the council of the scale of the task and the capacity to deliver continued improvement continues to be strengthened.
- 2 Northampton Borough Council is beginning to make progress in improving services for local people. Although it still has some significant way to go before it matches better performing councils it is putting the foundations in place that will help to maintain improvement. The Council has strengthened its planning arrangements with a greater focus on meeting the needs of all sections of the community and improving value for money. Management capacity has improved with a full management team now in place. The two remaining services that were subject to government monitoring – housing and planning - have improved sufficiently to be released from monitoring. A two-year programme of service reviews to identify the most efficient and effective way of delivering services to local people is about to begin. Financial capacity and acquiring the necessary skills to deliver change pose a risk to the delivery of the Council's improvement agenda.
- 3 Your auditor KPMG LLP (KPMG) has discussed with the council a number of challenges going forward and agreed their audit plan for 2008/09 with the Authority to show how their work will respond to these risks. Particular attention was drawn to the following areas.
 - There are pressures on the Authority's financial resources in light of an unfavourable settlement from central government and adverse trends in car parking income and concessionary travel expenditure. The Authority has also yet to reach a settlement on implementation of the Single Status framework which will likely have financial implications.
 - The economic downturn is likely to result in pressures on the Authority's main income streams. The Authority therefore needs to monitor the robustness of its income collection, in particular Council Tax and housing rents.
 - In light of recent events in the banking sector, the Authority needs to keep its Treasury Management activity under close control to avoid exposure to unacceptable levels of risk.
 - The Authority needs to build on improvements made this year in the financial reporting process.
 - Implementing new accounting requirements including the 2009 SORP and International Financial Reporting Standards (IFRS) will present a challenge.
 - The Authority will need to prepare for the new Use of Resources assessment which supports the Comprehensive Area Assessment (CAA) regime.

Action needed by the Council

- 4 The Council should maintain its momentum and focus on strengthening capacity and service review in order to achieve further and more consistent improvement.

Purpose, responsibilities and scope

- 5 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 6 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 7 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website).
- 8 KPMG is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 9 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 10 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Northampton Borough Council performing?

11 Northampton Borough Council was assessed as Poor in the Comprehensive Performance Assessment carried out in 2004. The following chart is the current position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

12 Northampton has set out five priorities in its Corporate Plan for 2008 to 2011 which were informed by consultation with local people. They are as follows.

- We will help our communities become safer, greener and cleaner.
- We will improve housing and health to enhance the wellbeing 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.

How is Northampton Borough Council performing?

13 Progress has been achieved in priority areas, although improvement overall has been mixed and inconsistent, as follow.

- Levels of crime reduced in four out of six categories in 2007/08, although Northampton remains amongst the worst 25 per cent of authorities in its family group in five out of six categories. More recent data provided by the Council shows that crime levels are continuing to fall.
- The amount of household waste recycled and composted increased slightly in 2007/08 from 37.2 to 37.7 per cent and is above the median for similar councils. More recent information provided by the Council shows that at November 2008 this figure had increased to 41.7 per cent. The amount of waste collected reduced and improved from below to above median. Although the amount of litter increased slightly Northampton continues to match the best performing 25 per cent of councils. There has been a significant reduction in levels of graffiti, although performance matches the worst performing 25 per cent of councils. Levels of fly-posting have increased with performance deteriorating from below median to matching the worst performing 25 per cent of councils.
- There have been improvements in Housing Services. The percentage of homelessness acceptances that are repeat applications, families in temporary accommodation, number of people sleeping rough, homeless households helped to resolve their situation and use of bed and breakfast accommodation all improved in 2007/08.
- Although significant outcomes have yet to be realised in the area of regeneration some progress has been made. For example the Council has been making environmental improvements such as regeneration of Becket's Park to make the area more attractive to residents and developers.
- The percentage of council tax and business rates collected matched the best performing councils. The time taken to pay invoices continued to improve but still matches the worst performing 25 per cent of councils. Levels of sickness absence, which were already amongst the worst performing councils, deteriorated further in 2007/08 and more recent information from the council shows this trend continuing.

How is Northampton Borough Council performing?

- 14** Published figures show that in 2007/08, 55 per cent of performance indicators (PIs) improved. This is below the average range for district councils of 56.9 to 59.1 per cent. However, the Council states that there was an error in some of the PIs and the actual figure should have been 57 per cent, which would place the Council within the average range. Over the previous three years 54 per cent of PIs improved, which is below the average range. The rate of improvement has therefore increased slightly. Published figures show the Council had 24 per cent of indicators in the top performing 25 per cent, but again the Council states the correct figure is 29 per cent. This is below the average for district councils of 33 per cent. It had 32 per cent of indicators in the worst performing 25 per cent nationally, an improvement on the previous year when the figure was 39 per cent. More than half (57 per cent according to published data, 53 per cent according to Council's corrected data) of indicators are below the median for district councils. More recent information provided by the Council shows that as at November 2008 69 per cent of monthly reported indicators had improved over the same period in 2007. There are signs that the Council is making progress in improving services, although Northampton residents continue to receive services which are of relatively poorer quality than other areas.
- 15** An external inspection of environment services in May 2008 assessed the service as 'fair' with 'uncertain prospects for improvement'. While recycling levels were high and the streets clean, customer focus was not well-developed and residents' satisfaction was poor. A review of the Council by the Improvement and Development Agency (IDeA) in October 2008 concluded that the capacity and leadership is now in place to address traditionally poor performance and that improvement is already evident in some service areas. It also highlighted significant improvements in financial and performance management and a more positive culture throughout the Council.
- 16** Partnership working has improved significantly. The Council is taking a proactive approach to working with partners, such as hosting the joint planning unit and the shared procurement service and preparing the local development framework for West Northamptonshire. There is strong partnership working with the police, with the co-location of staff and the introduction of task groups to address specific crime types. Effective partnership working increases the Council's capacity to achieve its priorities.
- 17** The Council is making progress in ensuring services are accessible and responsive to all sections of the community. It has achieved level 2 of the equality standard for local government and is working towards level 3. Equality impact assessments have been completed and are being used to ensure that service plans for 2009/10 address equality and access issues. There are six community forums which reflect the six equality strands and the Council uses these to engage and consult with community groups, for example, using the disabled people's forum to assess the accessibility of local leisure and shopping services. Although there are examples of some services engaging with users, such as a tenants' panel, leisure user groups and friends groups in parks, this is not consistent. The Council has produced a community engagement strategy but has yet to embed a corporate approach to community engagement.

How is Northampton Borough Council performing?

18 In the 2008 Use of Resources assessment value for money (VFM) has been rated as adequate overall. The extent to which the Council achieves VFM is assessed as adequate, reflecting the mixed levels of service performance and costs. However, the processes to improve VFM have improved considerably. The Council is about to undertake a major programme of service reviews to establish more effective and efficient ways of delivering services including the transfer of services to the private or voluntary sector where appropriate. Managers are required to compare the cost and performance of services against other councils and identify how this will be improved in service plans for 2009/10. The Council is putting the foundations in place to ensure that services provide better value for money for local people.

How much progress is being made to implement improvement plans to sustain improvement?

19 The Council has strengthened its plans for improving. There is good linkage between the sustainable communities strategy, the Council's corporate plan and service plans. This provides a clear framework to plan services and resources to address local priorities. Performance management arrangements have improved and enable the Council to monitor progress against targets. The Council has increased the frequency of performance reporting by introducing monthly corporate performance reviews. There is a general improvement in service performance, as evidenced by 69 per cent of monthly reported indicators improving over the same period last year. Additionally, housing and planning – the two remaining services that were subject to government monitoring – have been released from monitoring as a reflection of improved performance. The Council has therefore achieved progress in improving some poorly performing services.

20 The Council's capacity has improved. A full corporate management team is now in place which has greatly enhanced the capacity to address the challenges that the Council faces. Senior councillors have remarked that the quality of advice and support available to them has increased significantly. There is a clear commitment and sense of direction amongst councillors and managers to drive improvement and to abandon the legacy of a poorly performing council. The proposed three-year programme of strategic business reviews of all services has recently been condensed to two years which reflects the commitment and ambition of the Council to improve services. However, skills in areas such as project management and procurement will need to be enhanced to ensure that this programme is delivered effectively.

- 21** Financial capacity presents a risk to improvement. The Council is projecting a budget deficit of £7.2 million for 2009/10 and has identified savings equivalent to 20 per cent of its budget to address this. These savings are designed to have minimum impact on frontline services although it will present a challenge to the Council's capacity to deliver its improvement agenda as the changes will have to be delivered against a background of diminishing resources. Despite this challenge the Council has approved a balanced budget for 2009/10 which includes a £1 million fund that has been earmarked for the improvement agenda. Job evaluation and the implementation of Single Status has yet to be completed, and the Council is working towards a target date of 1 April 2010. The financial impact of this is not yet known and will need to be factored into financial plans. Levels of sickness absence match the worst performing councils and have been deteriorating. Arrangements have been introduced to manage sickness absence more effectively but they have yet to demonstrate an impact. The Council faces significant challenges to its capacity to deliver improvement.
- 22** The Council is redrafting its improvement plan to incorporate the recommendations of the IDeA review and also to set a schedule for the strategic business reviews. This presents an opportunity for the Council to set a challenging and comprehensive framework for improvement and a means to monitor that milestones and targets are achieved.

Service inspections

- 23** In May 2008 we reported that Northampton Borough Council provides 'fair' environmental services which have uncertain prospects for improvement. The inspection found that:
- the Council provided a satisfactory level of service overall. It has an extensive range of recycling facilities which includes bring sites and kerbside collections for paper, cardboard, cans and plastics. It has introduced a trial kerbside collection of glass. Recycling levels are high and have increased over the last three years. Most of the streets of Northampton were clean with a low level of litter. However, residents' satisfaction with the waste collection service and street cleanliness was low;
 - the Council was working successfully to reduce carbon emissions. The Upton development has won two environmental sustainability awards. The Council has reduced domestic energy consumption through energy efficiency and insulation grants. It is working with the Carbon Trust to reduce its own carbon footprint and has set challenging targets for this;
 - customer focus was not well developed. The Council does not communicate effectively with all residents about the service. It has not effectively addressed residents' concerns about replacing bins and recycling boxes after collection. It has not systematically assessed the needs of diverse communities and groups to effectively address their needs;
 - the lack of a strategic approach to delivering this service within an overall vision for the Council. The Council was unable to demonstrate that all elements of this service are providing value for money;

How is Northampton Borough Council performing?

- improvement was not consistent across all elements of this service. Satisfaction with waste collection fell substantially in the national survey of 2006, while satisfaction with street cleaning and recycling improved. The rate of improvement on national performance indicators was below average in 2006/07 compared to other district councils. The approach was uncoordinated rather than strategic. Plans did not address all residents' concerns or the Council's priorities, and would not directly lead to improvements that residents will notice in the short-term; and
- there was a clear commitment to improve the service, with a new structure being introduced to achieve this, although this is likely to impair the Council's ability to improve in the short-term. The lack of capacity in corporate support services such as legal services and human resources also limited service delivery and improvement.

The audit of the accounts and value for money

- 24** On 30 September 2008, KPMG issued unqualified opinions on the Authority's 2007/08 accounts and on the Authority's use of resources. KPMG also issued its certificate, confirming they completed all work required for the 2007/08 financial year under their statutory responsibilities.
- 25** The Authority has improved its accounts production processes this year, including improving the quality of working papers. Whilst the audit was nonetheless challenging, the improvements made enabled KPMG to issue their opinion by the end of September as planned. For the 2006/07 financial year KPMG were not able to issue their opinion until 18 October 2007.
- 26** KPMG reported in detail on the issues faced during the accounts audit in their ISA 260 report. This report contained recommendations as to how these issues should be addressed. For 2008/09 KPMG will review the actions taken by the Authority to implement these recommendations. In particular, the Authority needs to:
- ensure that working papers are available at the start of the audit and meet our requirements; and
 - review its bank reconciliation methodology.

In addition KPMG will work with officers to consider new accounting requirements at an early stage and to help further improve the closedown and audit processes.

Use of Resources

- 27** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).

The audit of the accounts and value for money

28 For the purposes of the CPA KPMG assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

| Element | Assessment |
|---|-------------------|
| Financial reporting | 1 out of 4 |
| Financial management | 3 out of 4 |
| Financial standing | 2 out of 4 |
| Internal control | 2 out of 4 |
| Value for money | 2 out of 4 |
| Overall assessment of the Audit Commission | 2 out of 4 |

Note: 1 – lowest, 4 = highest

- 29 The Authority has made significant progress across most areas of the assessment, with scores increasing in the majority of areas of the assessment, and some areas increasing through two score categories. This reflects the arrangements which have been put in place over the past 12 to 18 months which are now becoming more fully embedded. Particularly notable achievements include progress in reviewing performance and value for money, with a score increase from 1 to 3 on KLOE 5.2, and improvements to procedures for budget setting and monitoring, which have enabled the scores on both KLOEs 2.1 and 2.2 to increase to 3.
- 30 Nonetheless, there remain further opportunities to improve, and KPMG made recommendations as to the main actions needed.
- 31 Alongside KPMG's opinion on the accounts, they are required to issue a conclusion on the Authority's use of resources, which sets out whether the arrangements in place meet minimum requirements across 12 criteria specified by the Audit Commission. In 2007, KPMG assessed that eight of these criteria were not achieved. However, due to the significance of the progress made, KPMG assessed that the Authority met all 12 criteria in 2007/08.

Data Quality

- 32 KPMG concluded their review of the Authority's arrangements for data quality in management information in November and included a review of two Best Value Performance Indicators (BVPIs). They concluded that arrangements for data quality are good and that the two indicators tested, which measure timeliness of processing new benefits claims and changes to a benefit claimant's circumstances, were fairly stated.

Looking ahead

- 33** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 34** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 35** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

- 36** The contents of this letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented to members at a date to be confirmed.
- 37** Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

| Report | Date of issue |
|---|----------------------|
| Audit and inspection plan | March 2007 |
| Report to those charged with governance | September 2008 |
| Opinion on financial statements | September 2008 |
| Value for money conclusion | September 2008 |
| Environment (Waste Management, Street Scene and Sustainability) inspection report | May 2008 |
| Annual audit and inspection letter | March 2009 |

-
- 38** The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 39** This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Nigel Toms
Comprehensive Area Assessment Lead

March 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212, Fax: 0844 798 2945, Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

Appendices



Item No.

8a

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

| | |
|---------------------|--------------------|
| Report Title | Rents Audit |
|---------------------|--------------------|

AGENDA STATUS: **Public**

| | |
|------------------------------------|------------------------------|
| Meeting Date: | 02/06/09 |
| Key Decision: | No |
| Listed on Forward Plan: | Yes |
| Within Policy: | Yes |
| Policy Document: | No |
| Directorate: | Housing |
| Accountable Cabinet Member: | Councillor Sally Beardsworth |
| Ward(s) | N/A |

1. Purpose

1.1 To advise Audit Committee of the final report on the rents audit.

2. Recommendations

2.1 That Audit Committee notes progress and reviews the consultants report when it is received.

3. Issues and Choices

3.1 Report Background

3.1.1 Attached at appendix A is the internal audit final report of the housing rents review 2008/9.

3.1.2 The responsible officers for implementing the recommendations within the new housing directorate are: the Housing Services Manager (rent collection and arrears recovery); the Housing Solutions Manager (voids performance) and,

the Team Leader, Housing Technical Systems and Rent Accounting (self explanatory).

3.1.3 It should be noted that performance on voids and rent collection in the financial year 2008/9 was the best for more than 5 years. Void turn-around times (from vacation to re-letting) reduced to 29 days on average for the year, down from 34 days the previous year (2007/8) and 71 the year before (2006/7).

3.1.4 The amount of rent owing at the year end was also the lowest for more than five years at about £1.35 million compared to £1.8 million for 2007/8. Although rent collection figures remained in the bottom quartile for the year, performance is on programme to move out of that bottom quartile in 2009/10. The reduction of £450,000 in debt carried forward, largely due to better arrears recovery and writing off about £58,000 in unrecoverable arrears on current accounts for tenants on full housing benefit, is worth about 1% in improved performance.

Performance reporting rules around BVPI 66a require the full amount of rent due for year, plus any arrears carried forward, to be used as the basis of the collection performance. Therefore, the smaller the amount carried forward, the better the performance figures will be.

3.2 Issues

N/A

3.3 Choices (Options)

N/A

4. Implications (including financial implications)

4.1 Policy

None

4.2 Resources and Risk

Collection of rents and letting of voids are two critical areas of income maximisation for the housing service and remain key priorities for 2009/10.

4.3 Legal

None

4.4 Equality

N/A

4.5 Consultees (Internal and External)

As indicated on the report.

4.6 How the Proposals deliver Priority Outcomes

Moving all performance indicators out of the bottom quartile is a key aim for 2009/10 and will assist in delivering the Housing Service Improvement Plan 2008-10

4.7 Other Implications

N/A

5. Background Papers

5.1 Housing rents review report (appendix A)

Brian Queen
Interim Housing advisor
Ext 7174

Housing Rents Review
Internal Audit Report Final
April 2009

Northampton Borough Council Internal Audit Report 2008-09 Housing Rents Review

Report No. 08_09 NBC 10 – Final Report

| | |
|----------------------------------|-------------------|
| Assurance rating this review | No Assurance |
| Assurance rating previous review | Limited Assurance |

Distribution List

Tim Ansell – Housing Services Manager
Phillip Ralph – Rent Income Team Leader
Julie Petrie – Quality and Systems Manager (Housing)
Lesley Wearing – Director of Housing
Brian Queen – Interim Housing Advisor
Isabell Procter – Director of Finance and Support
Gavin Chambers – Head of Finance
Phillip Morrison – Finance Manager
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 |
| Follow up of prior year's recommendations..... | 19 |
| Appendix 1 - Terms of Reference | 30 |
| Appendix 2 - Assurance ratings | 33 |

Timetable

| Action | Planned date | Actual date |
|---------------------------------|------------------|----------------------------|
| Agreement of terms of reference | 24 October 2008 | 24 October 2008 |
| Fieldwork start | 10 November 2008 | 10 November 2008 |
| Fieldwork complete | 28 November 2008 | 12 December 2008 |
| Draft report to client | 31 December 2008 | 16 January 2009 |
| Response by client | February 2009 | February 2009 & April 2009 |
| Final report | April 2009 | April 2009 |

Background and scope

Introduction

The Housing Rents Review was undertaken as part of the 2008/09 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 Housing Rents. This review has been undertaken as part of the Core Financial Systems audit work included within the 2008/09 Internal Audit Plan. This report reflects our findings over the controls and processes in place as at the time of our internal audit fieldwork which took place during November and December 2008.

The IBS Housing Rents System was implemented in October 2007 replacing the IHSL system. A separate review was carried out on the implementation of this system in the prior year.

At the time of our review Housing Rents was in the early stages of a restructuring exercise which will bring together the tenancy and rents officers together into one team. This is expected to increase the efficiency of the housing rents function.

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 Housing Services Manager, we undertook a limited scope audit of Housing Rents .

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 |
|--|
| Tim Ansell – Interim Housing Services Manager |
| Phillip Ralph – Rent Income Team Leader |
| Matthew Arnold – Northgate Kendrick Ash |
| Julie Petrie – Quality & Systems Manager (Housing) |
| Philip Morrison – Finance Manager |
| Lesley Wearing – Director of Housing |

Our opinion and assurance statement

Introduction

This report summarises the findings of our review of Housing Rents.

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 | 5 |
| Medium | 8 |
| Low | 1 |
| 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 6 weaknesses in the design of controls in relation to the Housing Rents system, 1 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 Housing Rents system.

Operation of the controls under review

We identified 8 instances where the controls were not operating as designed in practice at the time of our audit. 4 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 Housing Rents system.

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.

It is appreciated that there is a restructuring of departments currently underway. Plans have been made to bring together tenancy and housing rents officers into one team. This should help to improve service delivery and address some of the weaknesses raised.

Follow-up

The table below summarises the recommendations made during our 2007/08 review of Housing Rents and their current status. Action has been taken by management to address the weaknesses raised and over half of these weaknesses have since been addressed.

| Risk Rating | Number of findings | Implemented or no longer relevant | Outstanding or partially implemented |
|--------------|--------------------|-----------------------------------|--------------------------------------|
| Critical | 0 | N/a | N/a |
| High | 3 | 2 | 1 |
| Medium | 9 | 4 | 5 |
| Low | 4 | 4 | 0 |
| Total | 16 | 10 | 6 |

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.

As a minimum a follow-up review of all the agreed actions should be undertaken as part of the 2009/10 internal audit plan. In addition, consideration should be given to undertaking a follow-up review prior to year-end to assess progress being made.

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 Housing Rents, 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 Housing Rents 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 | User accounts are set up and used inappropriately. | The IBS system does not record the date when new users were added to the system. Subsequently there is no way to identify when individuals were granted access to the system meaning there is a lack of an audit trail. | ● Low | The Technical Support Team should investigate with the software suppliers whether this function can be added to the system to enable reports to be produced detailing when users started on the system for audit and for management purposes. | Agreed and this will be looked in to. This has been logged with the software supplier as an enhancement request. | Julie Petrie December 2008 |

| Ref | Specific Risk | Control weakness found | Risk rating | Recommendations | Management response | Officer responsible & implementation date |
|-----|---|--|---------------|---|--|--|
| 2 | <p>Average void period could be under reported.</p> <p>Reduction in rental income due to longer void periods.</p> | <p>It was noted during the review that void periods had increased significantly since June 2008 when the average void period was 21.42 days:</p> <ul style="list-style-type: none"> • August 32.26 days • September 43.25 days • October 34.75 days <p>Further investigations with management, which included reviewing the start and end dates of properties on the void reports, indicated that these were different from the tenancy start and end dates on the IBS system. An initial examination indicated that the length of void periods may actually be under reported.</p> | <p>● High</p> | <p>The Council should investigate the reasons for the deterioration in voids performance and include a review of the accuracy and reliability of the underlying data supporting the void period.</p> <p>Consideration should also be given to increasing monitoring arrangements over voids until performance improves.</p> | <p>Agreed</p> <p>The launch of Choice Based Lettings (CBL) resulted in several long-term empty properties being let after being difficult to allocate under the previous system. This was anticipated and performance is now improving.</p> <p>A weekly meeting is held with Void Improvement Group, actions will be formulated to address issues raised from round seven CBL review and a Service Improvement Team has been established to address the process issues arising.</p> <p>The system used for calculating the void end period as date tenant signs for tenancy was checked with the Audit Commission, and confirmed formally by them on 20th October 2006 as correct and reaffirmed following this query.</p> | <p>Ian Swift Housing Solutions Manager immediate</p> |

| Ref | Specific Risk | Control weakness found | Risk rating | Recommendations | Management response | Officer responsible & implementation date |
|-----|---|---|-------------|--|--|---|
| 3 | Income may not be identified and allocated correctly. | Currently the suspense accounts for Housing Rents are not being reviewed and cleared on a regular basis. The total balance on the three holding accounts as at 13 November 2008 was £12,000. | ● Medium | Suspense accounts should be reviewed and cleared on a regular basis. | Agreed. Management previously identified this issue and the new structure will enable dedicated resources to be applied. At present the suspense accounts are jointly reviewed by housing and finance on a monthly basis. | Tim Ansell December 2008 |
| 4 | Incorrect payments or postings are not easily identified. | No exception reports are run by rent income section to identify potential variances in rental income between periods. These could be used to identify incorrect payments or postings. This issue was also raised during our 2007/08 review of Housing Rents. | ● Medium | Exception reports should be run on a monthly basis to show variances in payments between periods. Those over a designated threshold (e.g. a set percentage and monetary amount) should be reviewed to ensure that correct payments have been made. | Agreed, but as suspense accounts are monitored on a monthly basis this mitigates the risk, as large variances would be identified. | Tim Ansell December 2008 |

| Ref | Specific Risk | Control weakness found | Risk rating | Recommendations | Management response | Officer responsible & implementation date |
|-----|---|--|-------------|--|--|---|
| 5 | Adjustments to rent accounts may be incorrect or inappropriate. | Tenancy Support Officers do not routinely produce exception reports disclosing amendments made to rent accounts. This issue was also raised during our 2007/08 review of Housing Rents. | ● Medium | Periodic exception reports should be generated from the IBS system to highlight amendments to rent accounts. All amendments should be reviewed for reasonableness and evidenced as such. | Agreed At present a manual list is kept of all adjustments and this is countersigned on a monthly basis by a team Leader. In light of the feedback received an IBS generated report has been developed that reports all manual adjustments on a weekly basis. In the short term this will be received by team leaders in housing Management but post restructure this responsibility will move to the dedicated rentals team (from 31 March 2009) | Tim Ansell December 2008 |
| 6 | Credit balances could be misappropriated. | It was not possible to validate that credit balances on quit accounts are reviewed. Whilst reports are produced, these are not annotated to indicate the action taken. At the time of audit there were 552 credit cases on the quit account totalling approximately £75,000. This issue was also raised during our 2007/08 review of Housing Rents. | ● Medium | Quit accounts should be reviewed on a regular basis and a record of the outcome retained detailing actions taken. | Agreed. These have now been reviewed. Since the first week of December these have been reviewed on a weekly basis and now stand at 478 cases totalling £45,000. Of this in excess of £10,000 is contained on quit accounts with no forwarding address. | Tim Ansell December 2008 |

| Ref | Specific Risk | Control weakness found | Risk rating | Recommendations | Management response | Officer responsible & implementation date |
|--------------------------------|--|---|--|---|--|---|
| Operating effectiveness | | | | | | |
| 7 | Increased risk of unpaid arrears if insufficient checks are performed prior to right to buy completions. | For 1 out of 3 right to buy property sales tested, the right to buy record held did not indicate whether the individual purchasing the property had council tax arrears with the Council. | <ul style="list-style-type: none"> ● Medium | Prior to the completion of right to buy sales the Council should confirm whether the individual has council tax, sundry debt, rent or any other type of arrears. If this is the case the arrears should be paid prior to completion of the right to buy sale. | Only 9 right to buys were completed during 2008/09. Going forward a new procedure has been agreed with legal services and finance to deal with this issue. | Ian Mortimer Performance Improvement & Systems Manager 1 April 2009 |

| Ref | Specific Risk | Control weakness found | Risk rating | Recommendations | Management response | Officer responsible & implementation date |
|-----|---|--|---------------|---|---|--|
| 8 | <p>Increased risk of unidentified errors which could worsen over time if not resolved.</p> <p>Inaccurate housing rents figures on the ledger.</p> | <p>Data transfers between IBS and the general ledger are due to be carried out on a weekly basis.</p> <p>However, data was not being transferred between the two systems during April and May 2008. These data transfers were carried out during June 2008.</p> <p>Furthermore, planned data transfers for September and October 2008 were carried out more than a month after the weeks to which the data related to.</p> <p>As at the time of audit on the 17 November 2008 data transfers had not yet been carried out for week ending 26 October 2008.</p> <p>In addition, the IBS system was not reconciled to the general ledger between weeks 1 and 20 of the current financial year.</p> <p>A bulk reconciliation was performed at week 20 which resulted in large reconciling credits of over £10.3 million, however, these were subsequently reconciled.</p> <p>At week 30, another bulk reconciliation was performed.</p> | <p>● High</p> | <p>The IBS/General Ledger data transfer should be performed on a weekly basis.</p> <p>Sufficient codes should be set up within Agresso as soon as possible to enable IBS data to be fully posted to the Agresso system.</p> <p>Reconciliations should be performed on a periodic basis, either weekly or monthly, in order to identify any discrepancies which are then resolved on a timely basis.</p> | <p>The review work is nearing completion.</p> <p>The majority of the £10.3m credits related to payments and housing benefits that are not interfaced from IBS but are in Agresso via interfaces from the service feeder systems and subject to separate reconciliations (e.g. cash, housing benefits).</p> <p>Coding was not set up immediately for the additional functions added to IBS in year (e.g. temporary accommodation and private sector leasing). This is being addressed.</p> | <p>Phillip Morrison</p> <p>Implementation date 1/4/2009 for ongoing weekly interfaces and reconciliations to be performed.</p> <p>Implementation date 20/2/2009 for all coding to be in place to ensure the additional functions added to IBS can be brought over.</p> |

| Ref | Specific Risk | Control weakness found | Risk rating | Recommendations | Management response | Officer responsible & implementation date |
|-----|---|--|--|---|--|---|
| 9 | Income collected from housing rents is not maximised. | <p>It was noted that the Council's performance in relation to rent collection (BVPI 66a) and rent arrears (BVPI 66b) are below target.</p> <p>Performance as at September 2008:</p> <p><u>BVPI 66a</u></p> <p>Cumulative performance at September 2008 95.44%</p> <p>Annual target 97.80%</p> <p>The rent due for September was £4,238,884 with an amount of £4,199,362 being collected. This represents a collection rate of 99.07% during the month. The cumulative performance is affected by the large brought forward arrears balance at the start of the year.</p> <p><u>BVPI 66b</u></p> <p>Cumulative performance at September 2008 9.23%</p> <p>Annual target 7.50%</p> <p>Rent arrears performance has improved significantly from previous year's review but is still below target.</p> | <ul style="list-style-type: none"> ● Medium | <p>The Council should continue to target those tenants who are slow to pay or with significantly aged arrears to help improve their performance against these PIs.</p> <p>BVPIs are no longer reported externally and therefore the Council should also consider whether the information being provided to management on performance is sufficient and appropriate.</p> | <p>The year end figure carried forward into 2009/10 is £1.35m which will take BVPI 66a out of the bottom quartile from 1 April 2009.</p> | <p>Phillip Ralph 31 March 2009</p> |

| Ref | Specific Risk | Control weakness found | Risk rating | Recommendations | Management response | Officer responsible & implementation date |
|-----|---|--|--|---|---|--|
| 10 | Refunds are made without appropriate authorisation. | <p>For 3 out of 30 refunds tested there was no written tenant request on file, however, there is no reason to suspect any irregularities with these refunds.</p> <p>On one occasion the refund voucher had not been authorised. It was noted that the total and the grand total differed by £16 and these had been circled, possibly by the reviewer but the refund had been processed anyway.</p> | <ul style="list-style-type: none"> ● Medium | <p>Refunds should only be granted upon receipt of a written request by the tenant and all refunds should be appropriately authorised.</p> | <p>All refunds are currently raised by a TSO and countersigned by a senior officer.</p> <p>It is not always the case that written requests are submitted for a refund as shown by the D/D introduction, when a number of tenants had not cancelled their standing orders and were in effect paying rent twice. In these instances forms were completed by officers to ensure that tenants suffered the minimum period of inconvenience.</p> | <p>Tim Ansell December 2008</p> |

| Ref | Specific Risk | Control weakness found | Risk rating | Recommendations | Management response | Officer responsible & implementation date |
|-----|--|---|--|---|---|---|
| 11 | Debt may become irrecoverable and unnecessarily written off. | <p>Testing of 30 large arrears cases noted that appropriate action was not always taken. The following points were noted;</p> <ul style="list-style-type: none"> Cases 238251, 73820A, 740881: missed payments not followed-up; Case 104878: 3 missed payments have not been followed-up despite agreement stating that missed payments would result in a warrant; Case 244128: insufficient arrangements as arrears aren't decreasing; and Case 705502: account wasn't updated on a timely basis to reflect current status of recovery. <p>This issue was also raised during our 2007/08 review of Housing Rents.</p> | <ul style="list-style-type: none"> High | <p>The Council should ensure that the agreed arrears recovery procedures are being implemented consistently and in full.</p> <p>This could be ensured through regular review of recovery cases or additional training for rent officers in the process.</p> | <p>Agreed.</p> <p>The Rent Income team is currently focused on those cases with a high risk of significant rent loss. As the arrears position improves further emphasis can be placed on those cases presenting a lower monetary risk.</p> <p>The re-structure being implemented from 31 March 2009 will enable greater focus and supervision on both major cases and on new tenancies.</p> | <p>Tim Ansell Immediately</p> <p>31 March 2009</p> |

| Ref | Specific Risk | Control weakness found | Risk rating | Recommendations | Management response | Officer responsible & implementation date |
|-----|---|--|--|--|--|--|
| 12 | Increased risk of inappropriate and unauthorised transactions being made. | <p>Through testing of 5 manual credit account adjustments the following exceptions were noted:</p> <ul style="list-style-type: none"> In 2 cases there was no information on the tenancy file detailing why a credit had been applied. In 1 instance there was a delay of 6 weeks between the tenancy ending and the manual credit adjustment being processed on the system. <p>Through testing it was also noted that it is possible for a tenancy officer to clear arrears with a manual credit adjustment without authorisation being required on the system, effectively writing off the arrears and bypassing the normal write off procedure.</p> | <ul style="list-style-type: none"> High | <p>The Council should ensure that all tenancy officers record sufficient information on the system detailing why an adjustment has been made and all terminations of tenancies are performed on a timely basis.</p> <p>In addition, management should consider limiting access to the credit adjustment function or introducing a review of all adjustments made to ensure the system is not being used inappropriately.</p> | <p>Tim Ansell</p> <p>We will investigate whether the credit function can be amended on the system.</p> <p>Tenancy support officers only have this function.</p> <p>A small number of staff have access to authorise these and there may be paper authorisation for these cases.</p> <p>A weekly adjustment report has now been developed that will be countersigned by a team leader. In addition we are currently exploring the possibility of computerised secondary sign off of all adjustments with IBS.</p> | <p>Tim Ansell</p> <p>Immediate investigation</p> <p>January 2009</p> |

| Ref | Specific Risk | Control weakness found | Risk rating | Recommendations | Management response | Officer responsible & implementation date |
|-----|---|---|---------------|--|---|---|
| 13 | <p>If arrears are not allocated correctly and notices to quit issued promptly the Council could be losing out on revenue.</p> | <p>Through testing of 5 manual debit account adjustments the following exceptions were noted:</p> <ul style="list-style-type: none"> In 3 instances the arrears had been allocated to the wrong accounts. In one case rent payments were being allocated to a deceased tenant's account, in another case the rent was being allocated to an incorrect address and in one case the tenant had been incorrectly billed as the liability wasn't his. This tenant also had recovery letters sent to him; An instance was noted where the notice to quit was served 5 months after a tenant's death; and In one case the notice to quit gave less than two weeks to vacate, but this should have been one month's notice. | <p>● High</p> | <p>All tenancy officers should be informed that adjustments should have clear audit trails on the accounts to demonstrate why the adjustment has been made. In addition, termination of tenancies should be performed on a timely basis. Rent should be allocated to the correct accounts and actions against the tenant who was not liable should be ceased. Notices to quit should be served with a one month notice period and on a timely basis. A recommendation regarding a periodic review of adjustments has been made in recommendation 6. This should be implemented immediately and adjustments investigated by management.</p> | <p>Agreed</p> <p>Cases have been reviewed and training requirements identified.</p> | <p>Tim Ansell January 2009.</p> |

| Ref | Specific Risk | Control weakness found | Risk rating | Recommendations | Management response | Officer responsible & implementation date |
|-----|-----------------------------------|---|--|--|---|---|
| 14 | Inaccurate performance reporting. | <p>BVPI66b (number of tenants with 7 weeks' arrears as percentage of tenants) for July and August 2008 appear to have been reported using incorrect figures.</p> <ul style="list-style-type: none"> • For August the actual figure was 8.85% as opposed to the 9.51% reported. • For July the actual figure was 10.14% as opposed to the 10.19% reported. <p>In both instances the Council appears to have performed better than the initial figures reported, however the total number of tenancies which is used in the calculation could not be verified due to insufficient records being retained.</p> | <ul style="list-style-type: none"> • Medium | <p>Although BVPIs are no longer reported externally, the Council should ensure that relevant performance information is accurately recorded and reported upon.</p> | <p>The Council was aware of this anomaly at the time of the review, and had already taken remedial action to rectify.</p> | <p>Tim Ansell October 2008</p> |

Follow-up of prior year's recommendations

| Ref. | Control weakness found | Risk & assurance rating | Recommendation | Management response | Officer responsible & implementation date | Current Status |
|-----------------------|--|-------------------------|---|---|---|---|
| Control Design | | | | | | |
| 1 | It was noted that reconciliations of ICON (cash) to Northgate (Housing Benefits) and IBS (Rents) systems are not signed to evidence performance or review. | ● Low | All reconciliations should include a front sheet which should be signed and dated to evidence timely performance and independent review. | Agreed A front sheet will be designed in agreement with Finance and introduced in the new financial year. | Julie Petrie 1 April 2008 | Implemented |
| 2. | No exception reports are run by rent income section to identify potential variances in rental income between periods. These could be used to identify incorrect payments or postings. | ● Medium | Exception reports should be run on a monthly basis to show variances in payments between periods. Those over a designated threshold (e.g. a set percentage and monetary amount) should be reviewed to ensure that correct payments have been made. | Agreed The Housing department is undergoing a restructure at present. It is hoped that after this is complete, a dedicated team will investigate what exception reports can be run by IBS. | Phillip Ralph 30 June 2008 | Outstanding Potential mitigating controls are in place in that there are suspense accounts for rent income. However, these are not regularly reviewed at present. Re-raised in main body of the report - see recommendation 4. |

| Ref. | Control weakness found | Risk & assurance rating | Recommendation | Management response | Officer responsible & implementation date | Current Status |
|------|--|--|--|--|---|--------------------|
| 3. | A regular review is not performed on 'N' cases (those tenants whose arrears are being collected at £3 per week) to ensure that tenants are still in receipt of full benefit. | <ul style="list-style-type: none"> ● Medium | <p>A periodic review of 'N' tenants should be carried out. All cases should be cross referenced to the benefits system to ensure tenants are still in receipt of full benefit. Where tenants are no longer receiving support, the case should be referred to a rent officer to commence recovery action.</p> | <p>Agreed</p> <p>Due to the large arrears balance at the start of the year, the main focus of the department was the reduction of larger debts. Now these have been reduced, time can be spent focusing on smaller debts. This will involve review of N case.</p> <p>IBS now flags where benefits have changed. This will enable cases to be identified.</p> | Phillip Ralph 7 April 2008 | Implemented |

| Ref. | Control weakness found | Risk & assurance rating | Recommendation | Management response | Officer responsible & implementation date | Current Status |
|------|---|-------------------------|---|--|---|--------------------|
| 4. | It was not possible to test refunds/rebates processed on IHSL as a report could not be run to identify refunds made. | <p>● Medium</p> | The authority should ensure that regular reports on refunds are run and checked to ensure that all have been appropriately authorised. | <p>Agreed The functionality of IHSL did not allow refunds/rebates reports to be run. This function is possible on IBS and therefore reports will be produced on a monthly basis going forward.</p> | <p>Tim Ansell With Immediate Effect</p> | Implemented |
| 5. | It was noted that refund vouchers are not being numerically batched or filed in one location. As such it is not easy to locate specific vouchers. | <p>● Low</p> | Consideration should be given to including a cell on vouchers for recording the batch number and all vouchers should be stored in numerical order in the same location. | <p>Agreed A new filing system will be investigated and implemented to ensure that vouchers can be located.</p> | <p>Tim Ansell 31 May 2008</p> | Implemented |

| Ref. | Control weakness found | Risk & assurance rating | Recommendation | Management response | Officer responsible & implementation date | Current Status |
|------|---|-------------------------|--|---|---|---|
| 6. | <p>It was noted during our review that there seems to be a lack of communication between Housing Rents, Housing Benefits and Sundry Debtors teams in relation to ensuring that a joined up approach is taken to those in Council provided accommodation and the payments process.</p> | <p>● Medium</p> | <p>Efforts should be made to encourage communication channels between departments and protocols put into place.</p> | <p>Agreed Housing Benefits A protocol is currently being drafted to outline liaison arrangements between the departments. This will be reviewed by Kendrick Ash. Sundry Debtors A protocol has recently been put in place to cover how queries on evictions and debt recovery should be dealt with between the two departments.</p> | <p>Phillip Ralph, Tim Ansell, Sue Dale Housing Benefits With immediate effect Sundry Debtors 30 June 2008</p> | <p>Implemented</p> |
| 7. | <p>Tenancy Support Officers do not routinely produce exception reports disclosing amendments made to rent accounts.</p> | <p>● Medium</p> | <p>Periodic exception reports should be generated from the IBS system to highlight amendments to rent accounts. All amendments should be reviewed for reasonableness and evidence as such.</p> | <p>Agreed Reports will now be run and signed off by tenancy support managers to indicate that amendments are reasonable.</p> | <p>Tim Ansell 30 April 2008</p> | <p>Outstanding Exception reports are currently not being produced. Re-raised in main body of the report - see recommendation 5.</p> |

| Ref. | Control weakness found | Risk & assurance rating | Recommendation | Management response | Officer responsible & implementation date | Current Status |
|------|--|-------------------------|--|---|---|--|
| 8. | <p>The 07/08 rent increase was posted to IHSL using an interface whereby data was received from Finance in spreadsheet format that was subsequently converted into a format that was accepted by and uploaded to IHSL. There was no formal reconciliation produced between the posted information and the output control report.</p> | <p>● High</p> | <p>In future years the Authority should carry out a formal reconciliation to provide comfort that rate increases have been correctly uploaded into IBS.</p> | <p>Agreed Agreed that no formal reconciliation took place during 07/08. IBS will automatically calculate rent increases and a check will be performed to ensure this was completed correctly.</p> | <p>Julie Petrie 1 April 2008</p> | <p>Implemented</p> |
| 9. | <p>There has been no reconciliation between the IBS system and the general ledger since the system was implemented in October 2007. In addition the reconciliation of Agresso to IHSL for the period 1 July 2007 to 31 September 2007 was not completed until March 2008</p> | <p>● High</p> | <p>The Authority should ensure that a comprehensive and well documented reconciliation is performed for balances at year end. Going forward a periodic reconciliation should be performed and reviewed on a timely basis. Any reconciling items should be identified and cleared promptly. Procedure notes should be drawn up for the process and distributed to all responsible officers.</p> | <p>Agreed A full year reconciliation is to be performed at year end following the completion of the interface between Agresso and IBS. A weekly reconciliation will be performed between the two systems from April 2008.</p> | <p>Phil Morrison 1 April 2008</p> | <p>Outstanding A recommendation has been raised in the main body of the report regarding reconciliations between the Agresso and IBS systems - see recommendation 8.</p> |

| Ref. | Control weakness found | Risk & assurance rating | Recommendation | Management response | Officer responsible & implementation date | Current Status |
|------|--|-------------------------|--|---|---|--------------------|
| 10. | The Authority does not currently offer the option to pay rent by Direct Debit. | <p>● Low</p> | Action should be taken to implement payment by Direct Debit and this option communicated to all tenants. | <p>Agreed The option of direct debit has since been communicated to Standing Orders tenants. The first BACS transfer will be processed on 8th April 2008. If successful, this option will be rolled out across all accounts.</p> | <p>Phillip Ralph With immediate effect</p> | Implemented |

| Ref. | Control weakness found | Risk & assurance rating | Recommendation | Management response | Officer responsible & implementation date | Current Status |
|------------------------------|---|-------------------------|--|--|---|---------------------------|
| Control Effectiveness | | | | | | |
| 11. | <p>The level of rent arrears for current tenants has increased during 07/08. The level of debt at the start of the year stood at £1.7m and has now worsened to £1.9m.</p> | <p>● High</p> | <p>Resources should be dedicated to reducing the arrears balance. Efforts should be made to implement recovery action early on to reduce the risk of bad debt.</p> | <p>Agreed The increase in arrears in 07/08 can be attributed to a number of factors:</p> <ul style="list-style-type: none"> • The loss of 5 members of staff; • The introduction of new working practices by Kendrick Ash; • The introduction of IBS. <p>Now changes have all settled, efforts will be made to rectify the arrears situation. IBS allows arrears data to be interrogated and trends monitored. It is therefore envisaged that trend reports will be produced and reviewed on a weekly basis.</p> | <p>Phillip Ralph With immediate effect</p> | <p>Implemented</p> |

| Ref. | Control weakness found | Risk & assurance rating | Recommendation | Management response | Officer responsible & implementation date | Current Status |
|------|---|-------------------------|---|--|---|---|
| 12. | Testing of 25 tenancies identified 2 instances where a signed tenancy agreement for the current address was not held on file. (refs 143686 and 174508) | <p>● Medium</p> | <p>A current signed tenancy agreement should be held on file for all tenants. In addition the authority should review the 2 cases identified and establish why current agreements are not on file and establish whether this also applies to other tenants.</p> | <p>Agreed Tenancy agreements should be in place without exception. Cases noted will be investigated and new agreement issued.</p> | <p>Tim Ansell With Immediate Effect</p> | <p>Implemented</p> |
| 13. | <p>In 4/25 recovery cases tested, appropriate action had not been taken.</p> <ul style="list-style-type: none"> 247749: No action has been taken since a home visit 2 months previous; 520460: No recovery action has been taken despite tenant being off Housing Benefit; 586005/678271: Arrears action has not been amended to reflect changes in benefit entitlement. | <p>● Medium</p> | <p>The Authority should ensure that the agreed arrears recovery procedures are being implemented consistently and in full. This could be ensured through regular review of recovery cases or additional training for rent officers in the process.</p> | <p>Agreed All cases mentioned are 'smaller' debts. Therefore due to the emphasis on recovering large balances these may have not been addressed in a timely fashion. See response to exception #3</p> | <p>Phillip Ralph 7 April 2008</p> | <p>Outstanding A recommendation regarding recovery cases has been made in the main body of the report following testing carried out - see recommendation 11.</p> |

| Ref. | Control weakness found | Risk & assurance rating | Recommendation | Management response | Officer responsible & implementation date | Current Status |
|------|---|--|--|--|---|---|
| 14. | It was not possible to validate that credit balances on quit accounts are reviewed. Whilst reports are produced, these are not annotated to indicate the action taken. In addition, the reports are discarded each week. At the time of audit there were 520 credit cases on the quit account totalling £61k. | <ul style="list-style-type: none"> ● Medium | Quit accounts should be reviewed on a regular basis and a record of the outcome retained detailing actions taken. | Agreed A new procedure is to be introduced whereby accounts are reviewed on a monthly basis. Report will be retained to evidence this check. | Tim Ansell 30 April 2008 | Outstanding Quit accounts are not currently reviewed on a regular basis. Recommendation re-raised in main body of the report - see recommendation 6. |
| 15. | It was noted that the Authority's performance in relation to rent collection (BVPI 66a) and rent arrears (BVPI 66b) are below target. As at Jan 08 (BVPI 66a target 97.08% actual 96.01%) – (BVPI 66b target 8.25% actual 12.39%) | <ul style="list-style-type: none"> ● Medium | The Authority should continue to target those tenants who are slow to pay or with significantly aged arrears to help improve their performance on these BVPIs. | Agreed The department acknowledge that performance on indicators is below target. The reasons for this have been noted in exception #11. Now that staff are more comfortable with IBS and working practices, it is envisaged that performance will move into the upper quartile. | Phillip Ralph Of immediate effect | Partially Implemented A recommendation has been re-raised in the main body of the report regarding BVPI performance and management information 9. - see recommendation 9. |

| Ref. | Control weakness found | Risk & assurance rating | Recommendation | Management response | Officer responsible & implementation date | Current Status |
|------|--|-------------------------|---|--|---|---------------------------|
| 16. | <p>Due to staff illness, suspense accounts for DWP contributions (£3 per week) were not cleared for the month of January 2008.</p> <p>All contributions are manually posted to individual accounts and only one individual performs this task.</p> | <p>● Low</p> | <p>The functionality of IBS should be reviewed to establish whether automated posting is possible.</p> <p>In addition procedure notes should be drawn up to allow other individuals to carry out the process in the absence of key personnel.</p> | <p>Agreed</p> <p>The introduction of a dedicated rentals team as part of the new structure will ensure that personnel are trained in all activities.</p> <p>Automated posting is to be investigated.</p> | <p>Phillip Ralph 30 June 2008</p> | <p>Implemented</p> |

Appendix 1 - Terms of Reference

Internal audit 2008/09

Housing Rents Review

November 2008

Objectives and deliverables

Objectives

Our objective is to undertake a review of Housing Rents to ensure an adequate level of controls exist over the setting, collection and accounting of Housing Rents.

Deliverables

Our deliverable will be a report detailing our findings with regard to our assessment of the level of control in place over Housing Rents and the level of assurance we can place on the control environment.

Our scope and approach

Our work will focus on identifying the guidance, procedures and controls in place to mitigate key risks through:

- Documenting the underlying guidance, policy and processes in place and identifying key controls.
- Considering whether the policies and procedures in place are fit for purpose
- Testing key controls.

The key points that we will focus on are:

- All payments are receipted completely, accurately and in a timely fashion;
- Reconciliations of the housing systems to the cash received and general ledger systems are performed on a regular basis and are appropriately reviewed by senior management;
- The annual calculation of rent debit is performed promptly and is reconciled to property records to ensure accuracy;
- Any changes to housing stock are recorded and supported by a clear audit trail;
- Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving rent payments and loss of income is minimised. Arrears are monitored on a regular basis;
- Rent rebates are calculated correctly and supported by appropriate evidence;
- Rent increases are implemented promptly and accurately for all tenants, and have been appropriately approved;
- Management information is adequate to support prediction of rent trends and key performance indicators are set and monitored;
- The IT system is appropriately secure with only authorised personnel able to alter Housing Rents parameter files; and
- Adequate arrangements are in place for dealing with potential fraud.

We will discuss our findings with the Head of Finance (and any other nominated representatives) to develop recommendations and action plans. A draft report will be issued to the Assistant Head of Finance and any other relevant officers for review and to document management responses.

Limitations of Scope

None identified.

Stakeholders and responsibilities

| Role | Contacts | Responsibilities |
|----------------------------------|----------------|--|
| Head of Finance | Gavin Chambers | <ul style="list-style-type: none"> Review and approve terms of reference |
| Interim Housing Services Manager | Tim Ansell | <ul style="list-style-type: none"> Review and meet to discuss issues arising and develop management responses and action plan |
| Rent Income Team Leader | Phillip Ralph | <ul style="list-style-type: none"> Review draft report. |
| Northgate Kendrick Ash | Matthew Arnold | <ul style="list-style-type: none"> Review final report. |

Our team

| | |
|--------------------|-----------------|
| Engagement Leader | Mark Jones |
| Engagement Manager | Chris Dickens |
| Team Leader | Mundip Sohal |
| Auditor | Matthew Plummer |

Budget

Our 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 as our quoted fee may require re-assessment.

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.

©2009 PricewaterhouseCoopers LLP. All rights reserved. PricewaterhouseCoopers refers to the United Kingdom firm of PricewaterhouseCoopers LLP (a limited liability partnership) and other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity

Appendices



NORTHAMPTON
BOROUGH COUNCIL

Item No.

8b

AUDIT COMMITTEE REPORT

| | |
|---------------------|-------------------|
| Report Title | IBS review |
|---------------------|-------------------|

AGENDA STATUS: **Public**

| | |
|------------------------------------|------------------------------|
| Meeting Date: | 02/06/09 |
| Policy Document: | No |
| Directorate: | Housing |
| Accountable Cabinet Member: | Councillor Sally Beardsworth |

1. Purpose

1.1 To advise Audit Committee of progress on the review of the IBS OPEN Housing It system review.

2. Recommendations

2.1 That Audit Committee notes progress and reviews the consultants report when it is received.

3. Issues and Choices

3.1 Report Background

3.1.1 Attached at Appendix A is an extract from the brief which was put out to tender, (the full specification can be supplied on request but runs to nearly 30 pages). Submissions were due on Monday 18 May and final selection due 22 May 2009. 28 companies expressed an interest and 6 were shortlisted on the basis of direct implementation experience of IBS and IBS OPEN Contractor, which is the system designed to address the financial monitoring of the responsive repairs service Direct Service Organisation (DSO) and to reward performance in the work force.

3.1.2 The systems team in housing was previously a temporary arrangement using staff seconded from other areas to implement the IBS modules. That temporary team did not have any clear cut responsibility for upgrades, report

design or issues which arise from time to time with implemented systems. As part of the reorganisation of the Housing Directorate, a permanent team to support the integrated IBS suite of modules is being put in place, with a new Team Leader appointed to head the Housing Technical Systems and Rent Accounting Team. Adjustments will be made to that team in the light of the IBS review.

3.1.3 It was previously reported verbally to Audit Committee that there were some implementation problems around the Choice Based Lettings module and its impact on other modules such as voids, but these have been largely ironed out by the new team.

3.1.4 The questions that the consultants will be asked to address will include the lessons of previous implementations, compared to their experience elsewhere, planning for IBS OPEN Contractor, the functionality of other modules and the need for and structure of a permanent support team in Housing. Corporate ICT and Customer Services have been involved throughout in developing the brief and the selection of the preferred advisor.

3.2 Issues

N/A

3.3 Choices (Options)

N/A

4. Implications (including financial implications)

4.1 Policy

None

4.2 Resources and Risk

N/A

4.3 Legal

None

4.4 Equality

N/A

4.5 Consultees (Internal and External)

As described above

4.6 How the Proposals deliver Priority Outcomes

The delivery of web based services to housing customers is a key part of the Housing Services Improvement Plan 2008-10 and the establishment of a fully integrated information system is a key part of that plan.

4.7 Other Implications

N/A

5. Background Papers

5.1 IBS OPEN housing system specifications

5.2 Full specification for consultancy services

Brian Queen
Interim Housing advisor
Ext 7174

NORTHAMPTON BOROUGH COUNCIL

OPENHousing Project

Brief for consultancy/implementation support

Introduction and Background

A suite of IBS OPENHousing modules was purchased by Northampton Borough council in 2006. As appendix 1 shows, 20 modules have been implemented in full or in part and a further 10 are in the process of being implemented, with a further 11 to be considered for the future. At the time, housing services were delivered through five different Corporate Managements including Finance, although the principal users were always Housing, Streetscene and Property Maintenance, and Finance.

The initial decision to purchase this software suite was based on a full evaluation of the housing rents, allocations and management modules, which is known to be successful and is an industry standard installed in a large number of local authorities. It is not known what business case was subsequently put forward to include other modules from the OPENHousing suite, including OPENContractor, and it is understood that all modules were acquired at the same time, but a persuasive case may have been made for software from a single source.

With respect to housing rents and housing management modules, it is understood, subject to independent verification, that all of the accounting interfaces and controls are working effectively, but the interface with Agresso is manual and as yet is functioning but not complete, finance are working with housing to resolve outstanding issues. As the risk log (appendix 2) indicates, however, there is a serious risk of “mission creep” and it is necessary to put the implementation plan on to a prioritised basis which meets the needs of a restructured housing service for delivery of a first class housing service. This particularly means prioritising those modules with a direct positive impact on customer service. There is also a question whether the implementation of various modules has been adequately resourced by practioner staff that use the systems and whether follow up training and support has been adequate.

The introduction of Choice Based Lettings in July 2008 also highlighted anomalies between different modules, most notably the treatment and progression of voids from vacation, through works, to offer and to final re-letting.

A number of reports and reviews have highlighted the need to account better for the performance of the Property Maintenance Direct Service Organisation, which has in recent months undergone a major overhaul and re-structure. This overhaul includes a new pay and performance structure which will require systems to record accurately the performance of the workforce, in addition to linking with the Council’s invoice and payments system (Agresso) and producing information to allow Value for Money to be assessed. The question now is the functionality of the OPENContractor module to meet the needs of the property maintenance service, given the changes in the working environment since it was originally procured.

The Brief

Assistance is required from experienced consultants, who have previous experience of implementing IBS OPENHousing and with particular experience of OPENContractor, for the following areas: -

1. Review of the existing rents, housing management and lettings modules to provide assurance (or take remedial action to ensure) that
 - Existing controls and checks and reports are soundly based and up to auditable standards
 - That interfaces are working properly and efficiently (possibility of automation?)
 - That reports are properly defined and correct to auditable standards and are easily maintained
 - That issues identified in rents audits in respect of the system and reports are addressed
2. To review the functionality of OPENContractor and to plan an implementation programme, including interfaces with relevant financial and monitoring systems (in particular with the Council's financial management system Aggresso)
3. To review the present implementation programme to ensure that resources are concentrated on the priority areas,
4. To review the need for a permanent support team and project related implementation teams.
5. To advise on appropriate budgets for continuing support and development.

Timescales

A report on elements 1) and 2) above is required by 30 June 2009 or a date to be agreed. The remaining timetable to be discussed.

B. Queen
Interim Housing Advisor
20/03/09

| LIVE Modules | Current Modules |
|--|--|
| <p>People and Property Voids (excluding repairs) Rent Accounting Arrears Control Mutual Exchange Nominations Supporting People Allocations and Waiting List Estate Management</p> <ul style="list-style-type: none"> ○ Post Recording ○ Abandoned Property ○ Sitex Procedure ○ Anti-Social Behaviour ○ Customer Contact ○ Pet Policy ○ Introductory Tenancies ○ Demoted Tenancies ○ Emergency Access ○ Business Use of Dwellings <p>Workflow Reporting Tool (Hummingbird) CORE Digital Former Tenant Debt Recovery Direct Debits Interface</p> <ul style="list-style-type: none"> ○ Cash Receipting ○ Housing Benefits ○ General Ledger <p>Homelessness Homeless Advice Choice Based Lettings Temporary Accommodation Private Sector Leasing</p> | <p>OPENContractor Day-to-Day Repairs Appointments Void Repairs OPENMobile National Register of Social Housing (NROSH) Stock Valuations Asbestos Register Progress Replication (Disaster Recovery) Estate Management</p> <ul style="list-style-type: none"> ○ Succession of Tenancy ○ Permission for Mutual Exchange ○ Boundary Disputes ○ Fly Tipping ○ Request for Land ○ Tenant in Prison ○ Removal of Furniture ○ Police Disclosure ○ Mediation ○ Crack House Closure Protocol ○ Decants ○ Child Protection ○ Assignments ○ Environmental Enhancements ○ Use and Occupation ○ Unauthorised Occupation ○ Notification of Death ○ Floating Support |
| Future Modules | |
| <p>Planned Maintenance Decent Homes Energy Rating Gas Servicing Stock Condition Geographical Information System Interface</p> | <p>Right to Buy Service Charges Customer Relation Management Interface Document Image Processing Interface Executive Information System</p> |

Appendices
1



Item No.

9a

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

| | |
|---------------------|--|
| Report Title | Bank Reconciliation Project Review Update |
|---------------------|--|

AGENDA STATUS: PUBLIC

| | |
|--------------------------------------|----------------------------|
| Audit Committee Meeting Date: | 2 nd June 2009 |
| Policy Document: | No |
| Directorate: | Finance & Support |
| Accountable Cabinet Member: | Councillor Malcolm Mildren |

1. Purpose

1.1 This report provides an overview of the re-engineering of the Council's Bank reconciliation system, the processes and procedures introduced to address the audit recommendations and an update on progress as requested by Audit Committee.

2. Recommendations

2.1 To note this report and the external consultants report attached.

3. Issues and Choices

3.1 Report Background

3.1.1 The Audit Committee has requested a report on the progress to implement the recommendations from the Internal Audit Report on Bank Reconciliations October 2008 which gave no assurance on controls. This report follows an initial update report that went to the 2nd December 2008 Audit committee

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 limited progress, due to complexity of associated systems, 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 consultants ERP Systems Accountants Report, (attached at Appendix A), outlines the processes involved in the review, addresses the Internal Audit report risks and recommendations and reports on current status of the project.

3.1.4 The project has been run in parallel with the Customer Payments Methods project and has involved significant support from project staff to ensure that both projects are successful.

3.2 Bank Reconciliation New Process delivery

3.2.1 Audit committee are asked to note that the embedding of the new processes is key over the next six months to ensure that the Council has regular bank reconciliations and key control account reconciliations carried out in a timely manner and that unreconciled items are identified and addressed early.

4. Implications (including financial implications)

4.1 Policy

4.1.1 Not applicable.

4.2 Resources and Risk

4.2.1 The bank reconciliation system is crucial to the security of Council's income and fundamental to the good governance of public funds. It is essential that key processes and procedures introduced are maintained to mitigate any potential risk of irregularities and/or fraud.

4.2.2 The changes introduced need to be adhered to and managed closely to ensure that they are embedded and that new processes are followed and challenged with a view to ensuring continuous improvement.

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

4.3 Legal

4.3.1 None

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 Use of Resources score for Statement of 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 report

5.3 ERP Systems Accountants Bank Reconciliation Project Review Report.
(Appendix 1)

Report Author: Phil Morrison
Finance Manager
Ext 7187



NORTHAMPTON
BOROUGH COUNCIL

Bank Reconciliation Project Review
May 2009

E R P
SYSTEMS
ACCOUNTANTS

Contents

| | | |
|--|--|----|
| 1.0 | Distribution List | 3 |
| 2.0 | Introduction | 4 |
| 2.1 | Overview | 4 |
| 3.0 | Initial Findings | 5 |
| 3.1 | Bank Accounts | 5 |
| 3.2 | Bank Statements | 5 |
| 3.3 | Income Analysis and Control to Banking – ICON Postings | 6 |
| 4.0 | Our Approach | 7 |
| 5.0 | Findings and Review on Completion | 8 |
| 6.0 | PricewaterhouseCoopers Risks Review | 9 |
| 6.1 | High Risk – PWC Original Reconciliation Process | 9 |
| 6.2 | High Risk – PWC New Reconciliation Process | 10 |
| 6.3 | Medium Risk - PWC Original & New Reconciliation Process | 11 |
| 7.0 | Key Processes and Procedures Going Forward and Improvements in Internal Controls | 13 |
| 8.0 | Conclusion | 14 |
| Appendix 1 - | | 15 |
| Income to Bank Reconciliation Overview | | 15 |
| Appendix 2 - | | 16 |
| Bank Reconciliations Status for Year Ended 31.3.2009 | | 16 |
| Appendix 3 - | | 17 |
| PWC Risk Assessment Key | | 17 |

1.0 Distribution List

Shajid Jussab FCCA ERP Systems Accountants Ltd.– Director / Senior Consultant

Tim Brooks ERP Systems Accountants Ltd.– Senior Consultant

Philip Morrison Northampton Borough Council – Finance Manager

Bill Lewis Northampton Borough Council – Assistant Head Of Finance

2.0 Introduction

2.1 Overview

Following an internal and external audit review of Northampton Borough Council's (NBC) Bank Reconciliations, we were advised as consultants, with a dedicated internal team to:

- a) Undertake a further detailed analysis of processes and procedures
- b) Setup and Implement the use of the Agresso Bank Reconciliation Module – The Council's Financial Management System. With the ability to :
 - Load Bank Statements
 - Automated Cash Book Items from General Ledger (GL), to the Bank Reconciliation Module
 - Setup of Manual Matching Statement to Cash Book
 - Develop Reports detailing :
 - Statement Balance
 - Unreconciled Statement Items
 - Unreconciled Cash Book ItemsVerification of Reconciliation Balance Agreeing to General Ledger Balance
- c) Ensure that the General Ledger balance per bank can be reconciled to the Bank Reconciliation Module
- d) Devise new processes, procedures to ensure :
 - Reconciliation can take place for each bank account
 - Clear visibility from Cash Received, identifying source, to banking - 'visibility cradle to grave'
- e) Provide relevant training and support to Project team member to ensure new process and procedures are clearly understood
- f) Assist with the development of new procedure documentation
- g) Review Risks and Recommendations outlined on the Internal Audit Review by PricewaterhouseCoopers LLP

3.0 Initial Findings

During our initial review the following key issues were highlighted :

3.1 *Bank Accounts*

- a) The Agresso Payments Bank Account was the only bank account setup on the Agresso Bank Reconciliation Module.
- b) The other 6 bank accounts and their GL balances were not easily identifiable. To produce a report on a bank account balance required a combination of account code and cost centre combination.
- c) Differences existed between the Bank Reconciliation Balance and the General Ledger Balance
- d) Given that ‘some reconciliations’ did occur and were documented, we were not 100% confident that all transactions were identified and in the correct area. Hence making current reconciliations much more difficult.
- e) The concern at the outset was that there may be some spurious balances left on certain accounts or cost centres. This was primarily down to the necessity for a piecemeal approach to controls.

3.2 *Bank Statements*

- a) Statements were loaded on Agresso for the Payments Bank Account. No other bank account statements had been loaded. Hence there was no audit trail of how the other bank accounts were reconciled to GL
- b) No formal process was in place to extract and load bank statements, and verify load in Agresso

3.3 Income Analysis and Control to Banking – ICON Postings

- a) As part of Bank Reconciliation Project, it was important to ensure that the processes from income to bankings were reviewed to ensure effective bank reconciliation.
- b) The income recorded was satisfactory, however the resulting control postings in Agresso for bank and cash reconciliation could not be guaranteed to be complete.
- c) The icon cash receipting system load was based on funds prior to this project. For effective control for reconciliations the icon load needed to be on method of payment.

4.0 Our Approach

Having carried out a review of the current processes and procedures the approach we took, with the Project Team, was to :

- a) Correct Income Posting 'ICON' into Agresso to include Method Of Payment
- b) Create Control Accounts to Facilitate Method Of Payment Reconciliation like
 - i. Cash
 - ii. Cheques
 - iii. Dr/Cr Cards
 - iv. Payzone
 - v. BailiffsAnd Others
- c) Facilitate Manual or automated journals to reflect bankings from Method of Payments Control Accounts to Agresso Bank Accounts
- d) Create Bank Accounts with New Account Codes, with connection to Agresso Bank Reconciliation
- e) Use Agresso Bank Reconciliation to
 - i. Load Statements
 - ii. Auto Post Cash Book Items
 - iii. Reconcile Statement and Cashbook Items
 - iv. Produce Timely Reconciliation Reports
- f) For the Process to be successful, complete and auditable a decision was made to Regenerate Transactions and Reconcile from April 2008 i.e. for 2008-9.

This meant the extraction of all income and bank transactions for 2008-9 and reposting using the above methodology to facilitate bank reconciliation.

- g) Our involvement started in November 2008 after agreement with Management and the Internal Project Team. The Internal Project Team was already in place for some time, and had been working on preparatory investigative work to ascertain current processes and potential weaknesses. This was key to ensuring that these weaknesses could be addressed in the reengineering.
- h) Appendix 1 Outlines an overview of the key process of the proposed new procedure

5.0 Findings and Review on Completion

Having now completed the key tasks, below we outline our key findings :

- a) Some 150,000 + rows have been posted to correct and implement new Income and Bank Transactions
- b) It was found that the reconciliation of bankings slips to bankings was inadequate. Processes have now been put in place to resolve this issue.
- c) New Control Accounts have been created and procedures being put in place to ensure they are reconciled and matched on a regular basis
- d) New Bank Accounts have been created on Agresso and all 2008-9 transactions have been reconciled where possible. Bank Reconciliation reports reconciling to General Ledger have been produced for each bank account to 31.3.2009.

The process for reconciliations 2009/10 will start after the reconciliations for 2008/09 have been satisfactorily signed off by officers.
(estimated WC 10/5/09)

- e) The format, process and reporting of reconciliation has been kept consistent for each bank account. Once the reports are produced on a timely basis, a full audit trail will be available. Reconciliation reports will need to be produced and authorised on a timely basis
- f) It is imperative that when a new bank account is opened or a new source of income is identified i.e. control account, then the correct setup is done to ensure consistency with the current setup.
- g) By implementing these new processes and procedures confidence can be given to the bank balances in Agresso for accuracy and completeness
- h) Appendix 2 Is a current overview of all of the bank accounts for year ended 31.3.2009

6.0 PricewaterhouseCoopers Risks Review

The external audit review from PricewaterhouseCoopers is addressed here, based on the proposed new processes and procedures. All High and selected Medium Risk items have been selected for review.

Appendix 3 outlines the key of the Risk Ratings

6.1 High Risk – PWC Original Reconciliation Process

| PWC Ref & Risk | Control Weakness found | PWC Risk Rating | PWC Recommendations | NBC Response | ERP Review May 2009 |
|--|---|-----------------|---|--|--|
| 4. Bank accounts do not reconcile to the general ledger. | With the exception of the Housing Rents, Benefits and 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. | High | 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. | In hand, all bank accounts will be agreed to the ledger and feeder system as part of the new reconciliation process Phil Morrison 31 October | All the Bank accounts now reconcile between the Agresso Bank Rec. Module and Agresso GL. |
| 7. The General Rate account reconciliation is not being performed in a timely and effective manner. | During our walkthrough of the General Rate account reconciliation we noted the following: <input type="checkbox"/> The format of the reconciliation appears to be unnecessarily complicated and confusing. <input type="checkbox"/> 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. <input type="checkbox"/> Working papers for the preparation of the reconciliation are often not retained. <input type="checkbox"/> The process itself appears to be intrinsically risky as it involves a great deal of manual matching. | High | The Authority should ensure that the format of this reconciliation is reviewed and simplified through the ongoing Bank Reconciliation review. 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. | Agreed. Currently under review. Phil Morrison 31st October | The format, and process of the new reconciliation methodology will ensure that this does not happen It is important that the reports are run and unreconciled items are dealt with on a timely basis. |
| 10. Unauthorised access resulting in inappropriate transactions being made. | During testing of 25 internal transfers we identified 3 instances where the individual who actioned the transfer was not included on the access list. It was established that this is a new member of staff who had been given a managers password to undertake transactions on Financial Director. The value of transactions made ranged from £45k to over £1m. | High | Only officers with approved access should action transfers on Financial Director. Under no circumstances should passwords be shared. | Agreed. To be actioned immediately. Bev Dixon Implemented | We can confirm that relevant security changes have been made to ensure access is restricted |
| | | | | | |

| PWC Ref & Risk | Control Weakness found | PWC Risk Rating | PWC Recommendations | NBC Response | ERP Review May 2009 |
|---|--|-----------------|--|---|---|
| 11. Reconciling items are not being followed up effectively. | <p>The Authority is unable to provide confirmation that reconciling items have been investigated and rectified.</p> <p>It was noted during testing that:</p> <ul style="list-style-type: none"> <input type="checkbox"/> For the OAP reconciliation: 10/30 sampled items remained un-reconciled after a month. An additional sample of larger reconciling items found 2 out of 9 transactions over £1m were not cleared within the following month. <input type="checkbox"/> For the Agresso reconciliation: 19/30 sampled items remained un-reconciled after a month. An additional sample of larger reconciling items found 8 out of 42 transactions over £1m were not cleared within the following month. <input type="checkbox"/> For the Special Interest Reconciliation: In 1 out of 5 reconciliations tested, reconciling items had not been cleared by the following month. | High | <p>All reconciling items should be investigated and cleared ideally within a month.</p> <p>A clear audit trail should be retained to demonstrate what efforts have been made to identify the un-reconciling items and the outcome of this process (i.e. cheque cancelled, transaction written back to the ledger).</p> | <p>Review of reconciling items to be carried out by the Divisional Accountant as part of the monthly reconciliation process.</p> <p>Procedure notes covering reconciling items to be documented as part of the review.</p> <p>Phil Morrison Implemented</p> | <p>The new reports will highlight all unreconciled items.</p> <p>Good Practice on the resolution of unreconciled items has been highlighted</p> <p>Continuous Monitoring and Management is required in the area</p> |

6.2 High Risk – PWC New Reconciliation Process

| PWC Ref & Risk | Control Weakness found | PWC Risk Rating | PWC Recommendations | NBC Response | ERP Review May 2009 |
|--|--|-----------------|--|--|---|
| 14 Without retaining or reviewing copies of the reconciliations, the Authority can have limited comfort that the reconciliations have been performed. The use of manual matching in the reconciliation process increases the risk of data manipulation. | <p>No reconciliations were produced for the Benefits Account until 13/03/2008. The following issues have been noted with the design of the new reconciliation process:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The reconciliation is produced on an Excel spreadsheet and is overwritten every day. It is therefore not possible to validate whether the process has been carried out daily. <input type="checkbox"/> There is no independent review of the reconciliation performed. <input type="checkbox"/> The reconciliation process involves a large degree of manual matching. | High | <p>A clear audit trail should be retained for all reconciliations performed that shows who performed and reviewed the reconciliation along with the dated completed.</p> <p>In addition the Authority should investigate whether the introduction of automated matching is feasible.</p> | <p>Where appropriate, electronic reconciliation files will be secured on a weekly or monthly basis, with a summary reconciliation form signed by author and reviewer on a daily/weekly/monthly basis where appropriate. The intention is to move this manual method to Agresso to maximise the use of the Agresso Bank reconciliation system. There will continue to be some manual matching required.</p> | <p>New Agresso Excelerator Reports have been developed and must be run on a timely basis.</p> <p>It is imperative these are stored for audit purposes</p> |

| PWC Ref & Risk | Control Weakness found | PWC Risk Rating | PWC Recommendations | NBC Response | ERP Review May 2009 |
|---|--|-----------------|--|---|---|
| 15 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. Where reconciliations have not been performed for the entire year, no comfort can be gained. | As at the 31 March 2008 (year end), the following work was still outstanding: <input type="checkbox"/> 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. <input type="checkbox"/> The Authority had not begun their review of the Special Interest or General Fund Account. As such, no cumulative reconciliation has been completed for all of the above accounts. | High | The Authority should ensure that the Bank Reconciliations review is completed as a matter of urgency. For each account: <input type="checkbox"/> a cumulative reconciliation should be performed for 06/07 and 07/08, and <input type="checkbox"/> a new process for reconciliations should be designed and implemented for 2008/09. 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. | The Authority is ensuring that Bank Reconciliation review is completed as a matter of urgency. Phil Morrison 31st October | The review is complete and New Process and Procedures have been implemented. Support and training is being given to Key Resources. |

6.3 Medium Risk - PWC Original & New Reconciliation Process

| PWC Ref & Risk | Control Weakness found | PWC Risk Rating | PWC Recommendations | NBC Response | ERP Review May 2009 |
|---|---|-----------------|---|--|--|
| 1 Officers may be unaware of their roles and responsibilities leading to an increased risk of error. | There are no procedure notes in place for the Special Interest, OAP or General Rate Account Reconciliations. 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. | Medium | Procedures notes should be updated and drawn up for all reconciliations prior to being distributed to all responsible officers. | Review of all bank reconciliations is underway. Procedure notes to be drawn up and tested as part of this review. Phil Morrison 31st October for completion of bank reconciliations 30th November for Procedure notes | Detail Documentation of the new process had started. Training and Support is being provided to Key Resources Key Resources have been identified for each Bank Account. |
| 3 Reconciling items are not resolved on a timely basis. There are no formal procedures for following up reconciling items. | Lists are sent to responsible departments on a sporadic basis but there are no defined procedures for how reconciling items should be followed up and to what timescale. | Medium | Formal procedures should be put in place for following up all reconciling items. Reconciling items should be investigated promptly and rectified by the following month | Review of reconciling items to be carried out by the Divisional Accountant as part of the monthly reconciliation process. Procedure notes covering reconciling items documented as part of the review. Phil Morrison Implemented | The new reports trigger the follow-up of unreconciled items |

| PWC Ref & Risk | Control Weakness found | PWC Risk Rating | PWC Recommendations | NBC Response | ERP Review May 2009 |
|---|--|-----------------|---|--|--|
| 9 Reconciliations are not performed on a timely basis or by appropriately qualified staff. | Only limited assurance can be obtained that reconciliations are performed on a timely basis and by appropriately qualified staff. During the review we noted that: <input type="checkbox"/> All General Rate and OAP reconciliations have been produced electronically and therefore were not explicitly dated or initialled by the preparer; and <input type="checkbox"/> 16 out of 30 Agresso Payment reconciliations tested were not performed on a timely basis (i.e. not during the following working day). | Medium | Regardless of whether the reconciliation is completed in hard copy or electronic format, all reconciliations should be signed off and dated by the preparer and undertaken on a timely basis. If the reconciliation is performed in an electronic format, the date and initials of the preparer should be input electronically. | Agreed Standard reconciliation summary front sheet to be completed and signed and date by the responsible officer and reviewer. Phil Morrison / Jenny Coombs / Steve Marks Implemented | New Agresso Excelerator Reports ensure reconciliations are checked and authorised on a regular basis |
| 13 The Agresso balance may be inaccurate. | For 28 out of 30 Agresso Payment Account reconciliations tested, cash book balances stated did not agree to the actual cash book. In the remaining 2 cases, cash book reports had been mislaid. In all of these cases reconciliations were signed off by the preparer as accurate. | Medium | For each reconciliation, the balance as per the cash book should agree to the Agresso system. Any differences should be investigated and rectified on a timely basis. In addition reconciliations should not be signed off unless accurately completed. | The cash book does not agree to Agresso by a known amount; most of this discrepancy has been corrected but a small difference remains. This is not a risk providing the amount does not change, however rectification is currently being investigated. All reconciliations will be reviewed in order to identify any issues. Phil Morrison Implemented | All GL and Bank reconciliation errors relating to previous years have been resolved. New Reports check the GL balance compared to the Bank Rec. Balance |
| 17 The Authority is accounting for cash flows that might not occur. | The number of un-presented aged cheques (over 6 months old) has increased during the year. At the year end there were 42 cheques over 6 months old which amounted to £98,951.30 an increase of £94,343.46 from Jan 2008. | Medium | The Authority should ensure that all cheques over 6 months old are cancelled. | Agreed. Process for cancelling those over 6 months old to be revisited Phil Morrison / Bev Dixon 31 October 2008 | Old cheques are in the process of being cancelled . The new reports highlight outstanding cheques in date order |
| 18 The bank balance is not reconciled and therefore may be inaccurate. | 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. These ranged in value from £1k to £7k. | Medium | Efforts should be made to identify what the un-reconciled items relate to and all should be cleared promptly. | Un-reconciled items will be identified during the year end closedown and cleared in the new financial year. Phil Morrison 31 October 2008 | Unreconciled items are under review, and highlighted on the new Excelerator Report |

7.0 Key Processes and Procedures Going Forward and Improvements in Internal Controls

Below we have highlighted the key steps and processes to ensure a successful continuation of the processes and procedures implemented . It is imperative that :

- a) An 'Owner' is identified for Daily Income Reconciliation. Their responsibility will be to :
 - Check Daily interface between Icon to Agresso
 - Ensure Systems Reconcile Daily
 - Ensure interface is at correct 'Method of Payment Level'
- b) An 'Owner' is identified for each control account. Their responsibility will be to:
 - Check Income on Daily / Weekly Basis
 - Process Banking Journals to bank accounts (may be automated)
 - Identify and chase items that have not been banked on a timely basis

Justify to management on a timely basis unreconciled items and balances on the account
- c) An 'Owner' is identified for each bank account. Their responsibility will be to:
 - Load Statements
 - Reconcile Items
 - Identify, question and document unreconciled items
 - Have authority to post correcting journals
 - Run and submit to management the Bank Reconciliation Report, monthly or weekly depending on bank account
- d) Bank Statements are loaded Daily / Monthly depending on bank account
- e) Unreconciled Bank Items are dealt with weekly and at month end reporting. Unreconciled Bank items are documented with reasons at month end.
- f) Unreconciled Cash Book items reviewed monthly and any items over 6 months reversed, once authorised.
- g) **Bank Reconciliation Reports have to be produced, printed, reviewed, approved and authorised monthly. Some accounts may require weekly approval**
- h) **It is imperative that resources are put in place, and maintained, for the above tasks otherwise you may lose control of the reconciliation processes and procedures**

8.0 Conclusion

The process of reposting and correcting income and bank transactions to facilitate the use of the Agresso Bank Reconciliation Module for reconciliation purposes has been a success. It is therefore imperative that the momentum is not lost and all key resources involved are motivated to continue.

Whilst the original processes and controls were not clear or transparent the review has identified anomalies amounting to only £11,500

With the new procedures and processes it should be easier to identify discrepancies and anomalies.

The documentation of key process to support the resources on the tasks involved has started. It is imperative that these documents are complete and maintained.

Our proposals going forward for effective internal controls and reconciliations are resource intensive.

During the project NBC re-directed additional resources to the Project Team when required from the original process. The original process emphasis was predominantly manual, leaving resources little time for resolving Unreconciled items.

The new automated process and interfaces will enable resource to be directed to identifying issues early and resolving Unreconciled items.

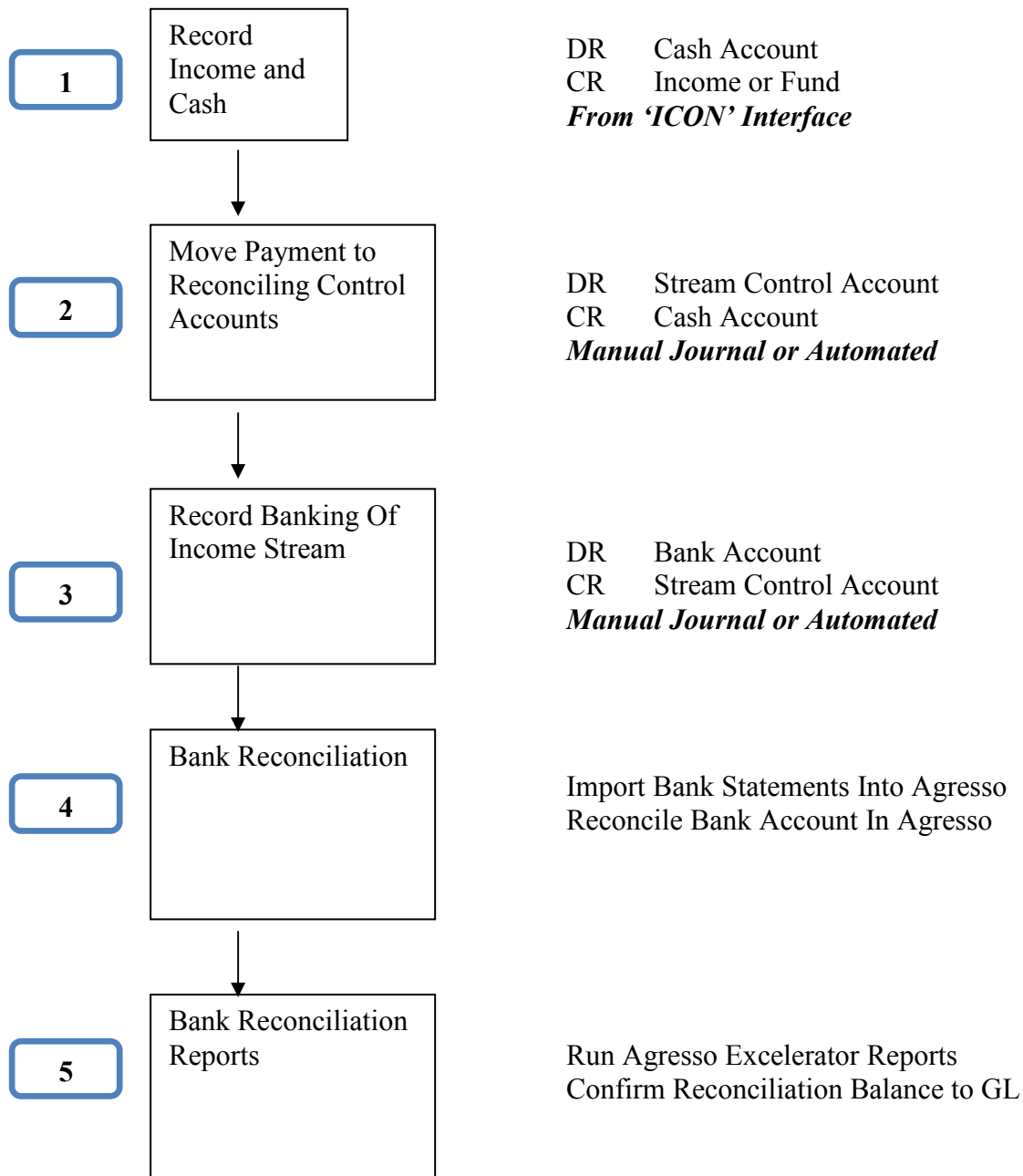
At the time of this report, ERP Systems Accountants are proving continued support to the Project Team. We are also assisting in the development of the procedure documentation and daily tasks lists. Our aim is to ensure the resources in the organisations outlined to maintain and implement these new processes have adequate training and support from management and systems.

It is imperative that Key process and procedures outlined in this document are maintained to mitigate any potential risk of irregularities and /or fraud.

Appendix 1 -

Income to Bank Reconciliation Overview

Below is a brief overview of the methodology



Appendix 2 -

Bank Reconciliations Status for Year Ended 31.3.2009

(as at 11/05/09)

| Bank Account | Year End Reconciliation Produced | Reconciliation Balance Agrees to General Ledger | Unreconciled Cash Book Entries | Unreconciled Bank Statement Entries |
|----------------------------------|----------------------------------|---|--------------------------------|-------------------------------------|
| | | | | |
| Payments GL AC – B100 | Yes | Yes | 823 Cheques 10 Other | 11 |
| Housing Benefit GL AC – B051 | Yes | Yes | 1155 Cheques 2 Other | 8 |
| General Rate GL AC – B054 | Yes | Yes | Nil | Nil |
| Housing Rent GL AC – B050 | Yes | Yes | Nil | 68 |
| Special Interest GL AC – B055 | Yes | Yes | Nil | Nil |
| Credit Suspense GL AC – B052 | Yes | Yes | Nil | 190 |

We are aware that tasks are in place to investigate and accrue for unreconciled bank statement entries, for the purposes of year end.

Appendix 3 -

PWC Risk Assessment Key

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

| Risk rating | Assessment rationale |
|---------------------------|---|
| <p>●●</p> <p>Critical</p> | <p>Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the <i>Authority's objectives</i> in relation to:</p> <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. |
| <p>●</p> <p>High</p> | <p>Control weakness that has or is likely to have a significant impact upon the achievement of key <i>system, function or process</i> objectives.</p> <p>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.</p> |
| <p>●</p> <p>Medium</p> | <p>Control weakness that:</p> <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. |
| <p>●</p> <p>Low</p> | <p>Control weakness that does not impact upon the achievement of key <i>system, function or process</i> objectives; however implementation of the recommendation would improve overall control.</p> |

Appendices



NORTHAMPTON
BOROUGH COUNCIL

Item No.

[9b]

AUDIT COMMITTEE REPORT

Report Title

Payroll Audit Report 2007/08 and 2008/09

AGENDA STATUS:

PUBLIC

Meeting Date:

2nd June 2009

Directorate:

Finance and Support

Accountable Cabinet Member:

Cllr Mildren

Ward(s)

N/A

1. Purpose

- 1.1 To provide an update on progress with audit recommendations made in the 2007/08 and 2008/09 Internal Audit Reports.

2. Recommendations

- 2.1 To note recent progress on recommendations made.

3. Issues and Choices

3.1 Report Background

- 3.1.1 At the Committee meeting on 17th February 2009, the Audit Committee requested that a report come back to the next meeting updating on the overdue action points from the 2007/08 Audit Report.

3.2 Issues

- 3.2.1 There were 19 recommendations from the 2007/08 report, of which 5 were High Risk recommendations. 10 recommendations have now been implemented, 3 of which are High Risk.
- 3.2.2 Of the remaining 2 High Risk recommendations: 1 is related to segregation of duties and the risk of fictitious employees being created and paid without interception. Access controls on Agresso 5.5 are currently under review following the recruitment of a technical specialist within Human Resources and this will be completed by end of June. However, there are manual controls/procedures in place to mitigate the risk of this happening as an

interim measure. The 2nd high risk recommendation is related to approval for BACS payments being independent from approval for invoice payments, and updating of the authorised signatory list. This responsibility lies within Finance who will review the process to ensure it is more closely controlled.

- 3.2.3 Of the remaining 7 recommendations, 2 are with Systems, 2 relate to HR and the implementation of access controls and a review of the salary advance process and the remaining 3 are with Finance following the recent move of payroll into Finance. Action is being taken to address these.
- 3.2.4 The 2008/09 Audit Report is draft, but updates on the current position of Payroll and recommendations. From the 11 new recommendations made, 5 have been implemented and actions have been taken to mitigate the remaining 1 high risk recommendation. This relates to the risk of new starters being created on the system undetected and the lack of control in the process to avoid this happening. This is with Systems to resolve, however, to mitigate the risk of this happening, a process has been implemented that makes it not possible for this to happen.
- 3.2.5 Of the remaining 5 recommendations to be implemented, 1 is with Finance and 4 are with Systems. Action is being taken to address these weaknesses.
- 3.2.6 Payroll moved from HR to Finance in April this year. This will help to alleviate some of the resource issues amongst the team, as there will be more capacity, following training, within Finance to support payroll during peak periods.

3.3 Choices (Options)

- 3.3.1 None

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 None.

4.2 Resources and Risk

- 4.2.1 One member of the Payroll Team is on long-term sickness absence, which has impacted on the capacity of the two remaining team members. Following the necessary training, additional support will be provided by the newly created Exchequer Team within Finance.

4.3 Legal

- 4.3.1 None.

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 Head of Finance & Assets has been asked to comment on this report.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 Not applicable.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

5.1 Copy of the 2007/08 updated Audit Report.

**Catherine Wilson, Head of Human Resources
X7103**

Appendices



Item No.

10

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

| | |
|---------------------|------------------------------|
| Report Title | Internal audit annual report |
|---------------------|------------------------------|

AGENDA STATUS: PUBLIC

| | |
|--------------------------------------|----------------------------|
| Audit Committee Meeting Date: | 2 June 2009 |
| Policy Document: | NO |
| Directorate: | Governance and Improvement |
| Accountable Cabinet Member: | Malcolm Mildren |

1. Purpose

1.1 To present our annual internal audit report summarising the findings of our audit work for 2008/09 and providing our annual assurance opinion.

2. Recommendations

2.1 To review and note the report.

3. Issues and Choices

3.1 Report Background

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

3.2 Issues

3.2.1 As noted in the report.

3.3 Choices (Options)

3.3.1 N/a

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

4.2.1 As identified in the annual report.

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 and Assets

4.6 Other Implications

4.6.1 N/a

5. Background Papers

5.1 N/a

Chris Dickens
Senior Manager
PricewaterhouseCoopers LLP
01509 604041

Northampton Borough Council

Internal Audit Annual Report

Distribution List

s151 Officer
Chief Executive
Directors
Audit Committee
Leader of the Council

Contents

| Section | Page |
|---|-------------|
| 1 Background and scope | 3 |
| 2 Our annual opinion | 4 |
| 3 Internal audit work conducted..... | 6 |
| 4 Limitations and responsibilities..... | 9 |
| Appendix A Summary of internal audit performance | 11 |
| Appendix B Annual assurance levels and risk ratings | 15 |

1 Background and scope

Background to this report

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

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

This report covers the period from 1 April 2008 to 31 March 2009

Acknowledgements

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

2 Our annual opinion

Introduction

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

- risk management
- control and;
- governance processes.

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

Our opinion is based on the audit work performed as set out in the 2008/09 internal audit plan agreed by the Audit Committee on 26 February 2008 and subsequently agreed amendments. Our opinion is subject to the inherent limitations set out in the Limitations and Responsibilities section of this report.

Annual opinion on internal controls

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

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

We have completed the program of internal audit work for the year ended 31 March 2009 (taking account of agreed amendments to the plan) and we can report that our work did not identify any significant control weaknesses that we consider to be pervasive in their effect on the system of internal control.

Our work in relation to risk management and governance has been mainly supportive with training being provided in both areas to both officers and members. We look forward to controls in these key areas continuing to develop and improve during 2009/10.

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

- Core financial systems:
 - Fixed Assets;
 - Debtors;

- Payroll;
 - Uniclass creditors;
 - Bank reconciliations; and
 - Housing Rents.
- Car parking income.

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

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

The Council's response

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

3 Internal audit work conducted

Current year's internal audit plan

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

The Annual Internal Audit plan was agreed with the Audit Committee on 26 February 2008. Changes to our plan were agreed by the Head of Finance and reported as part of our Internal Audit Progress reports to the Audit Committee.

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

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

| Audit | Date Completed | Assignment assurance level | Number of findings | | | |
|--|----------------|--|--------------------|------|--------|-----|
| | | | Critical | High | Medium | Low |
| General Ledger | November 2008 | Limited | 0 | 0 | 6 | 6 |
| Debtors | November 2008 | No Assurance | 0 | 5 | 8 | 7 |
| *Creditor Payments: Agresso system Uniclass system | November 2008 | - Moderate No Assurance | 0 | 1 | 10 | 5 |
| *Payroll | December 2008 | No Assurance | 0 | 3 | 11 | 8 |
| Budgetary Control | January 2009 | Moderate | 0 | 0 | 0 | 4 |
| Council Tax | December 2008 | Moderate | 0 | 0 | 2 | 4 |
| Non Domestic Rates | August 2008 | High | 0 | 0 | 1 | 5 |
| *Bank Reconciliations | April 2009 | No Assurance | 0 | 2 | 9 | 1 |
| Cashiers | July 2008 | Limited | 0 | 0 | 8 | 11 |
| Treasury Management | November 2008 | Moderate (with improvement) | 0 | 0 | 2 | 6 |
| Housing Benefits | March 2009 | Limited (with significant improvement) | 0 | 2 | 4 | 3 |

| Audit | Date Completed | Assignment assurance level | Number of findings | | | |
|---|----------------|----------------------------|--------------------|------|--------|-----|
| | | | Critical | High | Medium | Low |
| Fixed Assets | December 2008 | No Assurance | 1 | 0 | 7 | 4 |
| Housing Rents | December 2008 | No Assurance | 0 | 5 | 8 | 1 |
| *Expenses (including members) | July 2008 | Moderate | 0 | 0 | 4 | 7 |
| VAT | December 2008 | Limited | 0 | 2 | 5 | 0 |
| Human Resources | Deferred | N/a | N/a | N/a | N/a | N/a |
| Regeneration | March 2009 | Moderate | 0 | 0 | 4 | 2 |
| Westbridge DLO: *Call Out arrangements | October 2008 | No Assurance | 0 | 3 | 7 | 0 |
| Fuel Management | January 2008 | Limited | 0 | 6 | 3 | 0 |
| Housing Management – Temporary Accommodation | November 2008 | No Assurance | 0 | 4 | 5 | 2 |
| Procurement / VFM | April 2009 | Limited | 0 | 1 | 4 | 6 |
| Freedom of Information and Data Protection | July 2008 | Limited | 0 | 1 | 11 | 5 |
| *Concessionary Fares | March 2009 | Moderate | 0 | 0 | 4 | 2 |
| Environmental Health | July 2008 | Moderate | 0 | 0 | 2 | 5 |
| *ICT audits | March 2009 | Limited | 0 | 2 | 5 | 2 |
| Risk Management | Completed | N/a | - | - | - | - |
| Governance & Management Information | Completed | N/a | - | - | - | - |
| Performance Management & Improvement Delivery | Deferred | N/a | - | - | - | - |
| General Follow up | Ongoing | N/a | - | - | - | - |
| NFI | Ongoing | N/a | - | - | - | - |
| Grants verification work | Completed | N/a | - | - | - | - |
| Unders and overs | Completed | N/a | - | - | - | - |
| Car Parking | December 2008 | No Assurance | 0 | 6 | 8 | 1 |
| *Leisure Centre Income | January 2009 | Limited | 0 | 0 | 11 | 7 |
| Petty Cash | February 2009 | Limited | 0 | 1 | 4 | 5 |

* Denotes in draft report stage

We have noted year on year improvements in relation to the control and operating environments in relation to the following systems:

- Agresso creditors;
- Council Tax;
- Cashiers;
- Treasury Management; and
- Housing Benefits.

Results of follow-up work

We have conducted follow-up work throughout the year, either as part of our assignment reviews, as a separate review or through a follow-up audit which has looked at all other areas. In addition we have implemented TeamCentral which is an audit recommendation tracking tool that allows us to monitor progress being made against internal audit recommendations throughout the year. The data from TeamCentral is included within Corporate Performance reviews.

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

Implications for next year's internal audit plan

In addition to conducting general follow-up work we will take account of those areas where we have identified 'significant control weaknesses' during 2008/09. We will also continue to allocate a large part of our audit plan to the finance function which has undergone considerable change in structure and personnel.

4 Limitations and responsibilities

Limitations inherent to the internal auditor's work

Internal control

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

Future periods

The assessment of controls relating to Northampton Borough Council is as at 31 March 2009. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

Responsibilities of management and of internal auditors

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

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

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

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

Basis of our assessment

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

Limitations in our scope

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

Access to this report and responsibility to third parties

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

Appendix A Summary of internal audit performance

Audit plan 2008/09

| Planned activity | Planned days | Actual days |
|--|--------------|-------------|
| 1. Core Financial Systems – Fundamental assurance | | |
| ▪ General Ledger | 8 | 8 |
| ▪ Debtors | 10 | 10 |
| ▪ Creditor Payments | 10 | 10 |
| ▪ Payroll | 10 | 10 |
| ▪ Budgetary Control | 10 | 10 |
| ▪ Council Tax | 10 | 10 |
| ▪ Non Domestic Rates (NDR) | 5 | 5 |
| ▪ Bank Reconciliations | 10 | 10 |
| ▪ Cashiers | 8 | 8 |
| ▪ Treasury Management | 5 | 5 |
| ▪ Housing Benefits | 10 | 10 |
| ▪ Fixed Assets | 5 | 5 |

| Planned activity | Planned days | Actual days |
|--|--------------|-------------|
| 1. Core Financial Systems – Fundamental assurance continued | | |
| ▪ Housing Rents | 10 | 10 |
| ▪ Expenses (including members) | 10 | 10 |
| ▪ IFRS Healthcheck | 5 | 5 |
| ▪ VAT | 10 | 10 |

| Planned activity | Planned days | Actual days |
|---|--------------|-------------|
| 2. Operational system reviews – risk based assurance | | |
| ▪ Human Resources (Deferred) | 20 | 3 |
| ▪ Regeneration | 10 | 10 |
| ▪ Westbridge DLO: | 20 | - |
| ➤ Call Out Arrangements | - | 10 |
| ➤ Fuel Management | - | 10 |
| ▪ Housing Management | 8 | 8 |
| ▪ Procurement/VFM | 10 | 10 |
| ▪ Freedom of Information and Data Protection | 10 | 10 |
| ▪ Concessionary fares | 10 | 10 |
| ▪ Environmental Health | 5 | 5 |
| ▪ ICT audits | 20 | 20 |

| Planned activity | Planned days | Actual days |
|--|--------------|-------------|
| 3. Strategic – performance assurance | | |
| ▪ Risk management (including fraud risk management assessment) | 15 | 25 |
| ▪ Governance – management information | 15 | 6 |
| ▪ Performance management and improvement delivery (Deferred) | 15 | 2 |

| Planned activity | Planned days | Actual days |
|---|--------------|-------------|
| 4. Other | | |
| ▪ Specific follow up reviews: (followed up through TeamCentral) | 8 | 4 |
| ➢ Contract Audit (Capital Programme) and Legal Services | | |
| ➢ Grants to voluntary bodies | | |
| ▪ General follow up | 10 | 10 |
| ▪ NFI | 12 | 12 |
| ▪ Contingency (see amendments to plan below) | 35 | 60 |
| ▪ Audit Management | 18 | 18 |
| Total | 377 | 370 |





| Amendments to plan | Agreed days | Actual days |
|-----------------------------------|-------------|-------------|
| Additional work | | |
| ▪ Grants verification work | 4 | 4 |
| ▪ Under/overs | 2 | 2 |
| ▪ Car Parking | 10 | 10 |
| ▪ Leisure Centre Income | 10 | 10 |
| ▪ Petty Cash | 6 | 6 |
| ▪ Investigative work | 12 | 12 |
| ▪ Further investigative work | 15 | 15 |
| ▪ Further analysis of under/overs | 1 | 1 |
| Total | 60 | 60 |

Appendix B Annual assurance levels and risk ratings

Annual assurance statements

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

Definition of risk ratings within our individual audit assignments

| Risk rating | Assessment rationale |
|---|---|
|  <p>Critical</p> | <p>Control weakness that could have a significant impact upon not only the system, function or process objectives, but also the achievement of the organisation's objectives in relation to:</p> <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. |
|  <p>High</p> | <p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisational objectives.</p> |
|  <p>Medium</p> | <p>Control weakness that has a low impact on the achievement of the key system, function or process objectives; or This weakness has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</p> |
|  <p>Low</p> | <p>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.</p> |

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

©2009 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Appendices



Item No.

12

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

| | |
|---------------------|------------------------------|
| Report Title | External Audit Update |
|---------------------|------------------------------|

AGENDA STATUS: PUBLIC

| | |
|--------------------------------------|--------------|
| Audit Committee Meeting Date: | 2 June 2009 |
| Policy Document: | No |
| Directorate: | n/a |
| Accountable Cabinet Member: | Cllr Mildren |

1. Purpose

1.1 External audit progress update

2. Recommendations

2.1 To note the attached summary

3. Issues and Choices

3.1 Report Background

3.1.1 Attached is the external audit update note on final accounts and the use of resources assessment.

3.2 Issues

3.2.1 N/A at this stage in the audit of 2008/09 accounts or the use of resources assessment.

3.3 Choices (Options)

3.3.1 N/A

4. Implications (including financial implications)

4.1 None

5. Background Papers

5.1 See attached update

**Report Author:
David Brett
KPMG**



Northampton Borough Council

Audit Committee

2 June 2009

External audit progress report

1 Audit of accounts to 31 March 2009

Progress to date

We have completed our planning work and assessment of the Authority's control environment for the 2008/09 audit. We will present our full Interim Audit Report to the Audit Committee on 22 June.

2 Use of Resources Assessment 2009

Progress to date

We have completed the first stage of our work on the Authority's Use of Resources assessment for 2009. We have reviewed the Authority's self-assessment and held meetings with relevant officers. The next stage in the process is Area Based Challenge where we will meet with other auditors in the region to discuss, compare and challenge preliminary findings in order to ensure consistency in assessments.

We will report fully on our assessment in our Report to Those Charged With Governance in September.

Agenda Item 14

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

Document is Restricted