

**NORTHAMPTON BOROUGH COUNCIL**

**AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the The Jeffrey Room, The Guildhall on Monday, 17 May 2010 at 6:00 pm.

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

**AGENDA**

1. APOLOGIES

Please contact Nicola Pepper on 01604 837356 or [npepper@northampton.gov.uk](mailto:npepper@northampton.gov.uk) when submitting apologies for absence.

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. SERVICE AREA RISK REGISTER REVIEW

S. Morrell  
X 8420  
R.Bates X  
7119

7. REPORT REQUESTED AT LAST COMMITTEE MEETING - UNICLASS

C. Ansell  
X 8584

8. DEBTORS REPORT

9. CORPORATE DEBT POLICY

R. Bates  
X 7119

10. FRAUD PERFORMANCE UPDATE

R. Bates  
X 7119

11. INTERNAL AUDIT - 2009/10 ANNUAL REPORT

C Dickens,  
Internal  
Auditor  
(PWC)

12. EXTERNAL AUDIT (A) Report on 2010/11 fees (B) Progress report

D Brett,  
External  
Auditor  
(KPMG)

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.”

**Public Participation**

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

Appendices



Item No.

6

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

|                     |                              |
|---------------------|------------------------------|
| <b>Report Title</b> | <b>Risk Register Reviews</b> |
|---------------------|------------------------------|

**AGENDA STATUS: PUBLIC**

|                                    |                           |
|------------------------------------|---------------------------|
| <b>Meeting Date:</b>               | 17 <sup>th</sup> May 2010 |
| <b>Directorate:</b>                | Finance and Support       |
| <b>Accountable Cabinet Member:</b> | Cllr David Perkins        |
| <b>Ward(s)</b>                     | Not Applicable            |

### 1. Purpose

1.1 To provide an opportunity for the Audit Committee to undertake a review of a service-level risk register at each committee meeting.

### 2. Recommendations

- 2.1 To undertake a review of the Revenues and Benefits risk register.
- 2.2 To highlight any suggestions for improvement.
- 2.3 To select the next service-level risk register to be reviewed.

### 3. Issues and Choices

#### 3.1 Report Background

3.1.1 At the Audit Committee meeting on 22<sup>nd</sup> March, the Committee requested that each service area risk register be routinely brought before the Committee for review.

#### 3.2 Issues

3.2.1 Points for Audit Committee to consider as part of the review:

- Is the register complete are there gaps in the spreadsheet.
- Are there any key risks missing, highlight additional risks to be considered.
- Are there overdue actions.
- Challenge scores where necessary.
- Discuss in more detail any high risks or risks of specific interest.

3.2.2 The Council essentially has five areas of risk management across the authority, strategic, service, project, partnership and operational.

3.2.3 The registers being reviewed through this process are the service-level registers and therefore are focussed on risks to achieving service objectives. They should not include day-to-day operational risks.

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

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

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

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### **4.1 Policy**

4.1.1 None.

### **4.2 Resources and Risk**

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

4.2.2 Targeting resources at areas and issues of greatest risk where the Council's objectives are most under threat.

### **4.3 Legal**

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

### **4.4 Equality**

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

### **4.5 Consultees (Internal and External)**

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

### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 Providing an early warning system to alert Officers and Members to potential opportunities and threats.

4.6.2 Targeting resources at areas and issues of greatest risk where the Council's objectives are most under threat.

4.6.3 Reduction in interruptions to service delivery.

4.6.4 Continuity of critical Council activities.

4.6.5 Enabling the Council to act proactively, avoiding reactive management wherever possible.

4.6.6 Protecting and enhancing the reputation of Northampton Borough Council.

### **4.7 Other Implications**

4.7.1 Not applicable.

## **5. Background Papers**

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5.1 Appendix A – Revenues and Benefits Risk Register (please print on A3 paper)

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

Appendix A – Revenues and Benefits Risk Register  
SERVICE AREA - RISK REGISTER 2010-11

| Corporate PRIORITY   | PRIORITY OUTCOMES                | Service area objectives  | ID | Category         | Risk Owner   | Risk Cause (as a result of)  | Risk Event (there is a risk that)  | Risk Impact (which may result in)   | Inherent Risk Scores (assume no controls) |                   |               | Mitigation Actions and Controls  | Residual Risk Scores |                   |               | Progress update and estimated completion date   | Action Owner  |
|--|----------------------------------|--|----|------------------|--------------|--|--|---|---|-------------------|---------------|--|----------------------|-------------------|---------------|---|---|
|  |                                  |  |    |                  |              |  |  |   | Impact (1-5)                              | Probability (1-5) | Score (I x P) |  | Impact (1-5)         | Probability (1-5) | Score (I x P) |   |   |
| Partnerships and community   |                                  |  |    |                  |              |  |  |   |   |                   |               |  |                      |                   |               |   |   |
| A well managed organisation that puts customers at the heart of what we do | Improve our financial management | Maximise subsidy recoverable against benefit expenditure                 | 8  | Service delivery | Steve Archer | Ineffective controls relating to HB/CTB subsidy limitations  | The LA will not maximise government subsidy in respect of Benefits administration.   | Increased budgetary pressures and resultant service delivery issues.              | 5   | 4                 | 20            | Robust and documented approach to estimates, mid year estimates and final subsidy claim. Formal monthly monitoring of the subsidy claim/benefit expenditure and internal/external audit review.  | 4                    | 3                 | 12            | The HB/CTB subsidy position is monitored on a monthly basis. Any variances/issues will be reported as part of period 1 monitoring and beyond so that if necessary, appropriate management action/intervention can be taken  | Steve Archer  |
| Housing, health and wellbeing  | Meet housing needs               | Ensure prompt and accurate payment of housing benefits due to citizens   | 1  | Service delivery | Steve Archer | service pressures arising from the economic downturn continue, coinciding with loss of experienced staff may result in work backlogs                 | inability to make prompt and accurate payments to claimant and/or landlords due to increase in caseload and corresponding loss of resource | increase in evictions and homelessness, landlord dissatisfaction and bankruptcy.  | 5   | 3                 | 15            | Maintain adequate staffing levels, implement Revs/Bens IT strategy and further promote closer working with internal/external partners. Ensure projects aimed at improving service delivery/delivering VFM are implemented efficiently and on time. | 3                    | 3                 | 9             | Processing Performance is monitored weekly and reported via performance plus on a monthly basis. Staff turnover is also routinely monitored. Updated 06/05/10 SA  | Steve Archer  |
| A well managed organisation that puts customers at the heart of what we do | Improve our financial management | Pro-active approach to debt management                                   | 7  | Service delivery | Ian Tyrer    | Re-prioritising resource away from activity for short-term gain, increased work load due to improved activity in earlier stages of recovery activity | Lack of resource to deliver in accordance with recovery timetable, coupled with inability of customers to meet their commitments           | Reduced income, aging debt, increased bad debt provision and increased write-offs | 3   | 5                 | 15            | Targeting customers "trigger" points at earliest opportunity, seeking aoe/aob details, making sustainable arrangements, monitoring bailiff and legal activity, use of voluntary sector   | 3                    | 3                 | 9             | 1. Targeting customers "trigger" points at earliest opportunity 2. seeking aoe/aob details 3. making sustainable arrangements 4. monitoring bailiff 5. legal activity 6. use of voluntary sector 7. Introduction of a corporate debt policy/behaviours. IT 05/05/10 | 1. Phil Cross 2. Phil Cross 3. Paul Willmott 4. Maggie Denham 5. Phil Cross 6. Mike Tack 7. Robin Bates |
| A well managed organisation that puts customers at the heart of what we do | Excellent customer services      | Embed and monitor corporate service standards and review local standards | 3  | Service delivery | Robin Bates  | Lack of resource to continue current levels of cover for customer service centre effects service to the public                                       | Increasing workloads effect our day to day ability to maintain services  | Service does not meet user needs and demands                                      | 5   | 3                 | 15            | Planned capacity building initiatives will ensure we cope with the increases and will be monitored to ensure meeting key milestones. Note. Projects are either underway or in the process of being   | 4                    | 2                 | 8             | Projects being mapped in April / May 2010- RB 06/05/10  | Robin Bates   |

| Corporate PRIORITY   | PRIORITY OUTCOMES                  | Service area objectives   | ID | Category         | Risk Owner   | Risk Cause (as a result of)  | Risk Event (there is a risk that)  | Risk Impact (which may result in)  | Inherent Risk Scores (assume no controls) |                   |               | Mitigation Actions and Controls  | Residual Risk Scores |                   |               | Progress update and estimated completion date   | Action Owner   |
|--|------------------------------------|---|----|------------------|--------------|--|--|--|---|-------------------|---------------|--|----------------------|-------------------|---------------|---|--|
|  |                                    |   |    |                  |              |  |  |  | Impact (1-5)                              | Probability (1-5) | Score (I x P) |  | Impact (1-5)         | Probability (1-5) | Score (I x P) |   |  |
| A well managed organisation that puts customers at the heart of what we do | A well-regarded organisation       | Use and share knowledge of employee satisfaction  | 12 | Service delivery | Robin Bates  | Poor staff satisfaction as a result of ongoing re-structures, savings and cuts to services across Council.                       | Results of 2009 staff satisfaction show reduced levels due to changes required in revenues and benefits to meet efficiency agenda                | Could impact on performance in key areas of our public service   | 3   | 5                 | 15            | Continue to communicate to staff the need for change to protect service and jobs in the future. Work with staff to address areas where improvements are identified   | 2                    | 4                 | 8             | Individual service results to be reviewed. Results of staff focus group meetings and one to ones also to be linked in. Staff feedback sessions / discussions to take place May / June 2010- RB 06/05/10   | Robin Bates  |
| Strong partnerships and engaged communities                                |                                    | Ensure that projects aimed at improving customer services by working with partners continue to be initiated and delivered | 2  | Service delivery | Steve Archer | inability to encourage partners to engage in closer working initiatives and joint ventures.                                      | some planned service delivery improvements may not be delivered, either on time or at all.   | increased pressure on customer service time/resource. Streamlined work processes may not be fully delivered. | 4   | 3                 | 12            | effective project planning and maintenance of professional relationships with external partners.   | 3                    | 2                 | 6             | Projects being mapped in April / May 2010. Updated 6/5/10 SA  | Steve Archer   |
| A well managed organisation that puts customers at the heart of what we do | Improve our financial management   | Maximise collection of Council Tax and National non-domestic (Business) Rates due to the Authority                        | 6  | Service delivery | Ian Tyrer    | Lack of resource to deliver in accordance with recovery timetable, coupled with inability of customers to meet their commitments | Slow review of non-payers accounts to move to next stage of recovery action, which results in poorer recovery rates, increased transaction costs | Poor BVPI, poor reputation of NBC, reduced income  | 4   | 3                 | 12            | Ensure adequate staffing levels, monitor and review recovery timetable, separating won't pay from can't pay cases and signposting appropriately, closer working with voluntary sector  | 3                    | 2                 | 6             | 1. Adequate staffing levels maintained and reviewed on a monthly basis 2. Robust recovery timetable implemented by 1st March 2010 (delivered) 3. Recovery timetable monitored and reviewed on a monthly basis 4. Regular review meetings with the voluntary sector. IT 05/05/10 | 1. Ian Tyrer 2. Maggie Denham 3. Maggie Denham 4. Mike Tack                            |
| A well managed organisation that puts customers at the heart of what we do | Improve our financial management   | Ensure budgets managed effectively  | 9  | Service delivery | Robin Bates  | Expenditure both controllable and uncontrollable i.e. subsidy, rate relief, collection agency and court costs increase           | Continued less favourable subsidy rules be implemented, recession causes difficulties in collecting debt owed to the Council                     | Unable to balance budget / collection expected across county reduced and services impacted.                  | 5   | 3                 | 15            | Continue to monitor budget, reduce overdue debt occurring through liaison with other departments, utilise all collection and enforcement options open to the Authority, utilise collection agencies, reduce overpayments through prompt assessment of changes in circumstances | 3                    | 2                 | 6             | Monitoring position going into new year. Variances will be reported as part of period 1 monitoring and beyond- RB 06/05/10  | Robin Bates / Ian Tyrer / Steve Archer / Matthew Steele / Sarah Tyrer / Richard Austin |
| A well managed organisation that puts customers at the heart of what we do | Efficient and effective management | Improve the management and monitoring of sickness absence   | 16 | Service delivery | Robin Bates  | Increased absence as a result of change going on in department / council   | Staff could be under too much pressure with reduced costs and staffing levels / whilst re-structuring going on across Council                    | Reduced service capacity   | 4   | 3                 | 12            | Continue to communicate to staff the need for change to protect service and jobs in the future. Work with staff to address areas where improvements are identified   | 2                    | 3                 | 6             | Maintain improvement in sickness levels- 06/05/10   | Robin Bates  |

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|  |                                    |   |    |                  |                |  |   |   | Impact (1-5)                              | Probability (1-5) | Score (I x P) |  | Impact (1-5)         | Probability (1-5) | Score (I x P) |   |              |
| A well managed organisation that puts customers at the heart of what we do | Excellent customer services        | Ensure welfare visits are promptly responded to and appointments booked             | 4  | Service delivery | Matthew Steele | Pressure on the visiting resource to conduct visits in other areas   | Lack of resource to accommodate requests for welfare visits.  | Lengthy time frames to see customers with an impact on PI's and customers ability to pay rent.  | 5   | 2                 | 10            | Key work objective set for staff to make contact & book welfare appointment in 3days, with the actual visit happening at the earliest convenience for the customer and office availability. Ensure awareness of controls on Welfare Visit requests. Signpost appropriate customers to the alternative access channels. | 4                    | 1                 | 4             | System in place - welfare requests are evaluated and contacted where appropriate - Key objective for 2010/11 year and the details are recorded and will be monitored are through 1-1's. MS 05/05/10   | Sara Essex   |
| A well managed organisation that puts customers at the heart of what we do | Excellent customer services        | Ensure prompt and accurate payment of housing benefits due to citizens              | 1  | Service delivery | Steve Archer   | inability to make prompt and accurate payments to claimant and/or landlords due to increase in caseload and corresponding loss of resource | service pressures arising from the economic downturn continue ,coinciding with loss of experienced staff may result in work backlogs  | increase in evictions and homelessness, landlord dissatisfaction and bankruptcy.  | 3   | 3                 | 9             | maintain adequate staffing levels, implement Revs/Bens IT strategy and further promote closer working with internal/external partners.   | 2                    | 1                 | 2             | Processing Performance is monitored weekly and reported via performance plus on a monthly basis. Staff turnover is also routinely monitored   | Steve Archer |
| A well managed organisation that puts customers at the heart of what we do | Improve our financial management   | Meet the corporate target for processing invoices                                   | 5  | Service delivery | Sarah Tyrer    | Late processing of individual invoices   | Poor BVPI, poor reputation of NBC, adverse impact on future supplies  | Late passing of invoices to team members to process through Agresso. Absence of officers who are able to authorise orders or arrange payment of invoices. | 2   | 3                 | 6             | Ensure adequate cover for absence of requisitioners and authorisers. Ensure procedures up to date. Ensure requisitioners and authorisers are trained. Monitor outstanding workload / orders awaiting authorisation   | 2                    | 1                 | 2             | List of relevant authorisers for each cost code has been passed to Finance to ensure Agresso set up to mirror this. Once set up, any training required for individuals to follow- ST 06/05/10   | Sarah Tyrer  |
| A well managed organisation that puts customers at the heart of what we do | Services with a local focus        | Develop approach to gathering and making use of customer and community intelligence | 10 | Service delivery | Sara Essex     | Ineffective & costly targeting of Benefit Take up and Intervention Visiting  | Customers will not see their input into local decisions and feel part of the process.   | Poor targeting could result in individuals missing out on eligible benefits.  | 3   | 2                 | 6             | Utilise the data held from previous years visiting programme to inform current years programme. Utilise Mosaic software to target the correct customers for appropriate surveys as well as Benefit Take Up and Intervention Visits.  | 2                    | 1                 | 2             | Data from previous years in place and will formulate this years program. SE has contacted Sarah Polifonte but we haven't had any progress to date. Push for some progress by QTR1 with data by the end of QTR2. Now looking at GIS data with RB | Sara Essex   |
| A well managed organisation that puts customers at the heart of what we do | Efficient and effective management | Deliver a Value for Money service   | 14 | Service delivery | Robin Bates    | High performance of teams is not matched by value for money services   | Continued high cost of providing end to end services, albeit meeting current corporate and national efficiency targets. We will measure our value for money and targets against efficiencies monthly to ensure we highlight and risk events | Inevitable cuts due to efficiencies required across next 3 - 5 years  | 5   | 3                 | 15            | Continue to deliver efficiency projects and enhancements to optimise service delivery  | 2                    | 1                 | 2             | Efficiency projects to be mapped in April/May 2010 and efficiencies being delivered as a result- RB 06/05/10  | Robin Bates  |

| Corporate PRIORITY   | PRIORITY OUTCOMES                  | Service area objectives  | ID | Category         | Risk Owner  | Risk Cause (as a result of)   | Risk Event (there is a risk that)  | Risk Impact (which may result in)   | Inherent Risk Scores (assume no controls) |                   |               | Mitigation Actions and Controls   | Residual Risk Scores |                   |               | Progress update and estimated completion date  | Action Owner |
|--|------------------------------------|--|----|------------------|-------------|---|--|---|---|-------------------|---------------|---|----------------------|-------------------|---------------|--|--------------|
|  |                                    |  |    |                  |             |   |  |   | Impact (1-5)                              | Probability (1-5) | Score (I x P) |   | Impact (1-5)         | Probability (1-5) | Score (I x P) |  |              |
| A well managed organisation that puts customers at the heart of what we do | Efficient and effective management | Maintain robust data quality practices                                   | 15 | Service delivery | Robin Bates | Quality standards effected by increased pressure to deliver same service with less resource | Delivering high number of projects alongside reducing costs could lead to quality falling below acceptable standards | Direct impact on our customers  | 4   | 3                 | 12            | Continue to develop cost efficient practices in data quality  | 2                    | 1                 | 2             | Increased workloads will not mean a reduction in quality. New processes to make monitoring quality more efficient being introduced in first quarter of 2010/11- RB 06/05/10  | Robin Bates  |
| A well managed organisation that puts customers at the heart of what we do | A well-regarded organisation       | Contribute to corporate and service specific assessments and inspections | 11 | Service delivery | Robin Bates | Non readiness for corporate and service inspections   | informed of impending inspection with little time or resource to prepare   | Public perception of Council and CAA judgement affected   | 3   | 3                 | 9             | Work on ensuring we have accurate and up to date evidence of performance and procedures, particularly relating to KLOE benefit inspection to continue | 1                    | 1                 | 1             | We have now received a specification for a module on the corporate performance management system performance plus. This once implemented will assist in ensuring our readiness for any inspection. We are also already well advanced in collecting, analysing and performing gap analysis against KLOE | Robin Bates  |
| A well managed organisation that puts customers at the heart of what we do | Equitable services                 | Deliver the corporate equality objectives                                | 13 | Service delivery | Robin Bates | Not delivering against equality objectives  | As over  | Non compliance with corporate and national targets on provision of equitable practices and services | 3   | 1                 | 3             | Continue to develop and maintain equitable practices within the Department  | 1                    | 1                 | 1             | Monthly action at DMT/r and b managers meeting to review progress- RB 06/05/10   | Robin Bates  |



Appendices  
1



Item No.

7

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

Report Title

Internal Audit Report Creditors Review 2009/10

**AGENDA STATUS:**

**PUBLIC**

|                                      |                        |
|--------------------------------------|------------------------|
| <b>Audit Committee Meeting Date:</b> | 17 May 2010            |
| <b>Policy Document:</b>              | No                     |
| <b>Directorate:</b>                  | Housing                |
| <b>Accountable Cabinet Member:</b>   | Councillor Beardsworth |

### 1. Purpose

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1.1 To consider the response to the internal audit report: Creditors Review 2009/10 as requested by a previous meeting of the committee.

### 2. Recommendations

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2.1 The Committee is recommended to consider the responses to the issues raised by the report.

### 3. Issues and Choices

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#### 3.1 Report Background

3.1.1 The internal audit report 2009/10 into Creditors found a total of 10 medium risk weaknesses and 2 low risk weaknesses. The majority of the weaknesses identified related to the Uniclass repairs system.

#### 3.2 Issues

3.2.1 A number of these weaknesses relate to the design and implementation of the Uniclass system. This system is being phased out and an implementation team is in place to install and develop the new IBS system. The new system is on track to go live in July 2010, earlier than the originally envisaged September date. However, the testing of the financial interfaces has not yet been completed and the target implementation date of September remains in

place.

3.2.2 Interim arrangements have been put in place to address the weaknesses found, the further work will take place with the implementation of IBS to build in additional controls.

3.2.3 Details of the issues and action taken are shown in the appendix.

3.2.4 The 2009/10 report re-raised a number of issues from the previous year, which had not been addressed.

#### **4 Background Papers**

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4. Internal Audit Report 2009/10  
Creditors  
Report No 09-10-NBC 13

**Report Author: Christine Ansell  
Head of Landlord Services  
Ext 8584**

| Ref | Specific Risk  | Control weakness found and risk rating   | Recommendations  | Management response   | Latest position   |
|-----|--|--|--|---|---|
| 1   | Procedure Notes may not reflect current working practices leading to an increased risk of error. | <b>Re-raised from prior year</b><br>Procedure notes for the Uniclass System were drawn up in August 2007 and have not been reviewed or issued to officers.<br><b>Medium risk</b>   | Procedure notes should be reviewed and issues to all responsible officers as soon as possible.   | Agreed. A new responsive repairs system is due to be implemented during 2010 and system and process notes will be developed for this.<br>Target date Sept 2010. | Procedure notes have been draw up and are in the process of implementation. These will be enhanced further to support the new system  |
| 2   | Transactions may be made without appropriate authorisation                                       | <b>Re raised and up dated from prior year</b><br>The Authorised signatory list for Uniclass is not up date . The list has not been updated to include all finance managers and includes some officers who are no longer with the Council<br><b>Medium risk</b>   | The list should be updated with a current list of staff signatures and authorisation levels. All ex-employees should be removed.   | Agreed, Will be implemented with immediate effect   | Complete  |
| 3   | Funds are being committed without appropriate authorisation.                                     | <b>Re-raised from prior year</b><br>It has been noted through discussions with officers that correct procedures are not always followed for purchases made through the Uniclass system. On occasions maintenance staff will purchase and receive products before raising a requisition or order on Uniclass.<br><b>Medium risk</b> | The Council should ensure that purchases are not being made without an authorised requisition and order. This should be adhered to even after the Uniclass system is replaced. | Agreed. project Board meeting to ensure the new system covers this.<br>Target September 2010  | Employees have been instructed that they must obtain an order before any funds are committed. Spot checks will be carried out to ensure this is adhered to. This is also checked at invoice approval stage. |
| 4   | Inappropriate or   | <b>Re-raised and updated</b>   | The functionality of Uniclass  | Agreed, to be discussed at project Board meeting to   | IBS will log any changes made against the individual who  |

| Ref | Specific Risk  | Control weakness found and risk rating  | Recommendations   | Management response   | Latest position  |
|-----|--|---|---|---|--|
|     | incorrect changes to standing data may go undetected.  | <b>from prior year</b><br>It is not possible to run reports from Uniclass system to indicate changes made to standing data. It is therefore not possible to trace standing data changes and assess these for reasonableness and authorisation<br><b>Medium risk</b>   | systems should be investigated to establish how changes to standing data can be flagged. All changes should be approved before input and/or reviewed following input. | ensure the new system covers this. Target September 2010  | made them. In the interim instructions have been issued that no such changes should be made without authorisation. |
| 5   | Unauthorised access to the system leading to misappropriation of Authority's funds.  | <b>Re-raised from prior year</b><br>Uniclass does not require users to change their passwords on a regular basis.<br><b>Low risk</b>  | The Authority should ensure that any replacement system has adequate password controls built in.  | Agreed, to be discussed at project Board meeting to ensure the new system covers this.<br>Target September 2010   | IBS will require password changes on a regular basis.  |
| 6   | User accounts of leavers could be used by others if not disabled or terminated. Users may have inappropriate access to the system. | Human Resources do not supply a list of new starters, staff who have left or staff who have been promoted, to the Uniclass System Administrators. Therefore the administrators rely upon the line managers and the team's own knowledge to inform them of these changes in circumstances.<br><b>Medium risk</b> | A regular list of changes to personnel should be communicated to the Uniclass System Administrators to enable them to process these changes accordingly.              | A Uniclass Administrator role will be created and HR will be contacted to ensure that a regular list can be provided which will enable the Administrator to update access rights. | Completed  |
| 7   | Users may have inappropriate   | Requests for granting access to the Uniclass system to  | All documentation relating to the   | The Uniclass Administrator will retain records going  | Instructions issued to Uniclass  |

| Ref | Specific Risk   | Control weakness found and risk rating  | Recommendations   | Management response  | Latest position   |
|-----|---|---|---|--|---|
|     | access to the system.                                   | employees or requests for staff to be removed from the system are not retained on the Legacy system (job costing) although it is on the Enterprise (repairs orders) part of the Uniclass system.<br><b>Medium risk</b>  | addition or removal of users should be retained   | forward.   | Administrator   |
| 8   | Users may have inappropriate access to the system.      | The Uniclass user access list is not reviewed regularly to pick up incorrect access levels. A review is only carried out when a new user needs to be added but cannot be as the Council is close to the maximum user limits as set out in the software license<br><b>Medium risk</b>  | It is recommended that a regular review of access rights is established                       | The Uniclass Administrator will review the access list on a regular basis going forward. | Completed and on going  |
| 9   | Contractors may be unfairly or inconsistently selected. | From testing a sample of 25 orders it was noted that although quotations had been received, for 3 out of 25 items tested there was no documented evidence as to how the successful quotation had been selected. In these cases the lowest price quotation was selected, however this should not be the only factor in selecting quotations.<br><b>Medium risk</b> | It is recommended that the consideration of factors other than price is recorded in the file. | Agree. Target March 2010   | Contract now tendered and I place for voids. Selection based on framework of tendered prices. |
| 10  | Tendering process for                                   | For 3 out of 25 orders tested from the  | All documentation to support orders raised  | Agreed, a reminder regarding not using nominal   | Completed Departure from these  |

| Ref | Specific Risk   | Control weakness found and risk rating  | Recommendations   | Management response  | Latest position  |
|-----|---|---|---|--|--|
|     | quotations cannot be evidenced. The Authority may be overcharged if invoice and order amount differences are not investigated. Increased risk of unauthorised transactions. | Uniclass system, no supporting documentation for the order, such as an order request or authorisation could be located.<br>For 1 out of 25 items selected for testing no evidence of quotations could be supplied.<br>For 4 out of 25 items tested, the order amount differed from the invoice amount mainly because a nominal value for the order had been used.<br><b>Medium risk</b> | should be retained on file. Quotations should be obtained in line with the Authorities' purchasing guidelines. The use of nominal values for orders should be avoided and any significant differences between order and invoice values should be investigated by the Authority. | values will be sent to staff. Post inspection checks are in place for orders over £1k and other orders are sample checked. | Procedures is now highlighted at invoice approval stage at which all quotes obtained have to be presented with the successful quote. |
| 11  | Increased risk of inappropriate and unauthorised transactions.  | It was noted from testing orders through the Uniclass system that 1 out of 25 items had the same person raising and authorising the order.<br><b>Medium risk</b>  | Segregation of duties should be maintained between individuals raising and authorising an order.  | Agreed, an instruction regarding having appropriate authorisation will be sent to staff                                    | Completed – instructions given   |
| 12  | Delays could be encountered in making payments if invoices are not date stamped.  | For 7 of 25 Agresso transactions tested the invoice had not been date stamped<br><b>Low risk</b>  | The Authority should ensure that good practice is followed and all invoices are date stamped when received.   | Agreed, all invoices received in Exchequers Services must be date stamped on the day in which the invoice is received      | Completed – instructions given   |

Appendices  
1,2 and 3



Item No.

8

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

|                     |                                      |
|---------------------|--------------------------------------|
| <b>Report Title</b> | <b>Debtors Audit recommendations</b> |
|---------------------|--------------------------------------|

**AGENDA STATUS: PUBLIC**

|                                      |                          |
|--------------------------------------|--------------------------|
| <b>Audit Committee Meeting date:</b> | 17/05/2010               |
| <b>Policy Document:</b>              | No                       |
| <b>Directorate:</b>                  | Finance and Support      |
| <b>Accountable Cabinet Member:</b>   | Councillor David Perkins |

### 1. Purpose

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- 1.1 At the Audit Committee on the 22<sup>nd</sup> March 2010 the committee reviewed a number of internal audit reports that have attracted limited or no assurance ratings. One of these reports related to the internal audit of our debtors systems and procedures. This report addresses those areas relating to the debt recovery team managed by the revenues and benefits Department and also the Finance Section aspects of the report.

### 2. Recommendations

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- 2.1 That the Audit Committee review the comments relating to the areas highlighted for action during 2010 / 11.

### 3 Issues and Choices

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#### 3.0 Report Background

- 3.1 The corporate debt recovery team is responsible for the recovery of all overdue debt across the Council. Initially requests for payment should be requested from individual service areas, with the appropriate reminder notices issued to ensure income is collected as soon as possible. Where this has been completed and debts are still outstanding the debt is then passed to the

Council's recovery team in order to seek payment of the debt. The recovery team have responsibility for recovery of overdue debt as follows:

- Council Tax
- Business Rates (NNDR)
- Business improvement district levy (NNDR)
- Council Tenants
- Former Council Tenants
- Service Charges for leaseholders
- Re-chargeable repairs – current tenants
- Re-chargeable repairs – former tenants
- Housing benefit overpayments
- Sundry debts (i.e. Council services)

3.2 The debt recovery team have begun to liaise with all service Department to ensure that income collection and debt avoidance practices are incorporated across the Council. This will ensure that the quality of debts passed to the section is of a high quality and that the requirements of the Councils Debt recovery policy can be followed in a timely manner.

#### 4 4.0 Issues

4.1 Three issues were raised, which require an action from the revenues and benefits Department. These in summary were as follows:

- Lack of collection of income due to the Authority – HIGH RISK,
- There is a risk that instalment plans may not be appropriate – MEDIUM RISK,
- There is a risk that the debt is having its potential recoverability impeded by its age – HIGH RISK

4.2 The issue identified relating to a lack of collection of income was in relation to the IBS system. It was identified that for some classes of debt no new cases have been put into recovery in 2009-10. This was due to a system problem on IBS because the Pay Point cash paying function is incapable of producing bar-coded invoices for old rents. The revenues and benefits department agreed they would liaise with housing services in order to get the issue resolved immediately. Progress to date is as follows:

- All current progression rules relating to outstanding debt received with IT consultant on the 5<sup>th</sup> April 2010.
- First full progression of debt completed 24<sup>th</sup> April 2010,
- Barcodes are now available on all letters in order to ensure payments can be made on outstanding debt

4.3 The second issue identified during the audit identified that for all three-debtor systems there is no system of prior approval or review of instalment plans where debtors have been struggling to repay their debts and have agreed alternative arrangements with the Council. It was also pointed out that Instalments are negotiated on the telephone by members of the debtor's team and then input onto the system without any authorisation. It was recommended that additional



controls were required for instalment plans with debtors. As a result we have now implemented the following:

- A review of the existing arrangement process has now taken place and is consistent with behaviours of recovering outstanding debt already undertaken for Council Tax and Business Rates
- Practices recommended were in place last financial year, however they were not formalised or actively monitored
- All arrangements not require team leader sign off prior to being input to the system
- Monthly monitoring of instalment plans will also continue
- A learning log has also been introduced in order to monitor errors and feed into training plans

4.4 The last area identified by the audit related to a risk that debt is having its potential recoverability impeded by its age. It was noted during testing that 14 out of 30 cases in recovery were not being pursued according to the timetables set out by the authority. It was also noted that 64.9% of the Authority's debt is over 90 days old. As a result the following actions have been taken:

- Efforts are being made by the recovery team to improve collection, with particular attention being made on older debt.
- This is a high priority action for the Recovery Team and will not be resolved instantly. An action plan, detailing prioritisation, standards of delivery and milestones is now in place.
- This plan will be monitored through Performance Plus and reported as part of the Revenues and Benefits performance framework. It will concentrate on debt reduction, write-off activity and percentage of debt being managed to demonstrate delivery.
- We are also looking to recruit additional resource, which will be managed against deliverables in this plan.
- Continued analysis of debt by year will form part of the plan for 10/11 to ensure that aged debt is in progress. This will be done by breaking down debts by service area, recovery profile and age to better demonstrate activity, trends and customer behaviours.

4.5 Audit risks identified for the Finance Section, highlighted there were two high risks, recommendations 8 and item 9. There were also five other additional items which were highlighted as low these items were 2, 3, 4,5 and 7.

4.6 Following the audit recommendation to have a timely approach to the raising of invoices and supporting documentation to be retained, in relation to item 8 on the Debtors review, the following was concluded.

4.6.1 All service areas have been contacted to inform them to raise invoices within five days of providing the service or the goods.

4.6.2 All users of the IRAS system have to complete a user form every six months to authorise them to use the system for a period of up to six months. This form needs to be authorised by the users line manager. Failure to complete the updated form will result in access being revoked for the IRAS system.

- 4.6.3 Following the audit recommendation a form was compiled please refer to Appendix one for the authorisation to raise an invoice. Upon investigating the feasibility of implementing this form, it has been concluded it will generate more work and take more officer time, at a time when the Council is trying to implement efficiencies and streamline operations. There are some areas of the council, which raise multiple invoices on a daily basis. This could delay the raising of invoices if authorised signatories have to keep authorising invoices especially when managers are on leave or are sick, when the line managers have already signed the six monthly authorisation form in the first place. Investigations are currently being undertaken to assess if invoices above a certain value £10,000.00, £5,000.00 and £1,000.00 Please refer to Appendix two for a copy of the Authorisation to use the IRAS system.

#### **4.7 Aged Debt Management**

- 4.7.1 Recommendation 9 for Finance: During the financial year 2008/2009 advice was being sought by the Management Accounts team within Finance for guidance in relation to Aged Debt provision, to establish CIPFA protocol in relation to Aged Debt. The Management Accounts team at Northampton Borough Council sought advice from external audit (KPMG) March 2009. No response or guidance was given in relation to this matter. This is a yearly exercise, a further exercise is being undertaken on 4<sup>th</sup> June 2010 to ensure a robust mechanism is in place for further Aged debt provision for following future years.

#### **4.8 Other Outstanding Items on the report for Finance**

- 4.8.1 Item 2, Management may be out of touch with salient information regarding the debtors function. Risk Rating Low. Line Managers of officers who receive monthly outstanding arrears reports will receive copies of the reports as well as the individual officers. This is being introduced in May 2010.
- 4.8.2 Item 3, Improper amendments may be put through or amendments, which have taken place may not be properly evidenced. Risk Rating low. A Memo has been constructed and when price increases occur these must be signed and authorised by the appropriate department please refer to Appendix three.
- 4.8.3 Item 4, There is a risk that performance targets such as timely turnaround of invoices which have been set by the debtors team are unenforceable to other departments. Risk Rating low. New updated procedures are in place, which detail the responsibilities of the user. Also Financial instructions are currently in draft format which detail the requirements of users to ensure invoices are raised in a timely manner, no later than five working days. Emails have been sent to users reminding them that invoices should be raised within five working days.
- 4.8.4 Item 5, There is a risk that evidence of user removal requests will be lost. Risk Rating low. A six monthly purge of the system occurs, all users, which do not complete updated user forms are removed from the system. There is also a monthly starters and leavers list, which is forwarded from payroll each month, and this information is checked to ensure that the leavers are removed from the system.

4.8.5 Item 7, Credit extended to individuals may represent a possible bad debt risk. Risk Rating Low. There are many services which the council is duty bound to provide, whilst this is a good idea in principle, the council will be in breach of providing statutory services to the public if statutory services are withdrawn. However agreed that it could potentially be useful for non-statutory services and this will be investigated, this investigation will be concluded by September 2010.

#### 4.9 Choices (Options)

4.9.1 No choices identified.

### 5 Progress in 2009/10

5.6 Action to address debt was highlighted as a priority in 2009 / 2010. As a result a new corporate debt recovery team was set up to address historic issues in recovering overdue debt. As a result of setting up this team an improvement action plan was developed. The initial plan aimed to:

- Minimise debt occurring in the first place, particularly through the timely assessment of benefits,
- Ensuring that services by the Council are paid up front where possible i.e. housing repairs, rental of meeting rooms etc.
- Ensuring the completion of housing benefit forms IRO temporary accommodation,
- Maximising benefit through prompt completion of benefit forms at tenancy sign-ups,
- Completion of processes and procedures between Departments and debt recovery team to ensure all debt referred / showing as overdue is accurate i.e. all appropriate reminders, efforts to ensure prompt payment, reconciliation of actual payments have been completed prior to referral / when picked up as overdue by the debt recovery team.

5.7 As a result of this plan the following has been implemented or is in progress:

- The formalisation of debt recovery processes (overdue debt) through the creation of a corporate debt policy,
- Data cleansing and action against old debt held on the systems is underway. An analysis of progress in debt reduction within the IRAS system is shown below:

| <b>Year</b> | <b>Mar-09</b> | <b>Mar-10</b> | <b>Diff</b> |
|-------------|---------------|---------------|-------------|
| pre 00      | 9,036         | 6,698         | - 2,338     |
| 00/01       | 32,757        | 22,769        | - 9,988     |
| 01/02       | 19,463        | 12,962        | - 6,501     |
| 02/03       | 45,342        | 34,876        | - 10,466    |
| 03/04       | 103,987       | 78,312        | - 25,675    |
| 04/05       | 94,161        | 68,714        | - 25,447    |
| 05/06       | 337,296       | 237,467       | - 99,829    |
| 06/07       | 247,229       | 152,097       | - 95,132    |
| 07/08       | 300,853       | 225,881       | - 74,972    |

|       |                  |                  |                  |
|-------|------------------|------------------|------------------|
| 08/09 | 455,977          | 344,995          | - 110,982        |
|       | <b>1,646,101</b> | <b>1,184,771</b> | <b>- 461,330</b> |

Between March 2009 and March 2010 aged debt within IRAS has been reduced by £461,330.

5.8 This has been achieved through existing recovery, write off and new arrangements being made. Last year officers were focused on reviewing and addressing debt for years 05/06 and 06/07, where the bulk of the debt existed. The years prior to this have also been reviewed and analysis indicates that the majority of this debt is in recovery, although the arrangements in place are for nominal payment arrangements either weekly and in some cases monthly.

- A new set of fair debt principles that promote debt avoidance and recovery of single indebtedness has been created,
- Liaison meetings scheduled and partially delivered to 17 service areas to address issues with income collection. These meeting are aimed at working towards reducing debt becoming overdue in the first place and to ensure we collect income efficiently.
- Initial equalities screening of the corporate debt policy. This has included completion of a data merging exercise that looks at debts across the Councils system in a single view. This has enabled us to complete necessary data cleansing, alongside starting work on overlaying debtor information on geographical maps. These maps will then allow us to target areas for benefit take up / debt advice etc.
- The compilation of a corporate debt matrix that monitors the %age of debt not currently managed within the Council. The aim over the coming year is to reduce this figure and ensure that all debt is managed. By managed we mean either in recovery, with a collection agency, lodged with the court, waiting write off etc. The percentage of unmanaged debt within our debtors systems when we commenced work in October 2010 was 45.89%. As at the end of March 2010 this figure has reduced to 40.93%.
- A medium term plan to recruit an additional officer to focus on recovery in 2010 / 11 has been agreed. This post will aim to increase collection in order to meet the cost of the additional post and realise an overall increase in collection across debts.
- Resource within revenues and benefits has been shifted to add a further full time post to focus on recovery. This post is likely to focus on housing benefit overpayments. Due to the huge increases in caseload throughout the recession this area has seen an associated rise in overpayments occurring and therefore requires an additional resource.
- Proposed changes to the Councils write off instructions. This would aid a speedier process in writing off debts owed to the Council.
- Write offs in 2009/10 totalled £765,963. In 2008/09 write-offs totalled £382,584. The increase represents an increase in work to review debt and ensure it has gone through all processes prior to referral for write off.

## 6. Choices (Options)

N/A

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

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### **7.1 Policy**

7.1.1 Corporate Debt Policy as detailed to be agreed at cabinet meeting in July 2010

7.1.2 Write off financial instruction reviewed as part of process

### **7.2 Resources and Risk**

7.2.1 Existing corporate debt team and managers within the revenues department will continue to work towards the effective management of debt within the Council. Service areas across the Council will be required to improve processes and procedures.

### **7.3 Legal**

None

### **7.4 Equality**

None

### **7.5 Consultees (Internal and External)**

None

### **7.6 Implications**

None

## **8. Background Papers**

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None

**Report Author: Robin Bates, Head of Revenues and Benefits and Matthew Lee Exchequers Services Team Leader**



**NORTHAMPTON**  
BOROUGH COUNCIL

**Northampton Borough Council**

**Invoice Request Form**

|                              |  |
|------------------------------|--|
| Name of person raising order |  |
|------------------------------|--|

|  |                                       |
|--|---------------------------------------|
| Authorisation of line manager (this must match the line manager who has authorised your access for Sundry Debtors) | Name in CAPS<br><br><b>Signature:</b> |
|--|---------------------------------------|

| Quantity | Reference | Description | Price Each<br>£ | Total Price<br>£ |
|----------|-----------|-------------|-----------------|------------------|
|          |           |             |                 |                  |
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|                |
|----------------|
| Customer Name: |
|----------------|

|                   |
|-------------------|
| Customer Address: |
|-------------------|

|                     |  |
|---------------------|--|
| Establishment Code: |  |
|---------------------|--|

|  |
|--|
| Invoice Number(S) (When you have raised the invoice) If you are entering more than one invoice per day you can put all on this one form per day. |
|--|

PLEASE RETAIN THIS FORM IN YOUR FILING SYSTEM, AUDIT WILL CHECK FORMS HAVE BEEN COMPLETED FOR EACH INVOICE

**(IRAS)**  
**SUNDRY DEBTORS SYSTEM**

This form is to be completed by all users of the Sundry Debtors System. The form needs to be completed twice a year for all users of the sundry debtors system.

**Part 4 of Credit Notes and Write offs forms – Originating Officer**

User Full Name: .....

User Job Title:.....

User Section/Department:.....

User Tele No:.....

User Establishment Codes.....

User Yellow pc number:.....

User Signature:.....

Please tick appropriate boxes: -

|                              |                          |
|------------------------------|--------------------------|
| Raise one off invoices:      | Raise Recurring Charges: |
| View customer direct debits: | View system only:        |

\*\*\*\*\*

Part 4 of Credit Notes and Write Offs forms

**Authorised by (Team Leader or Manager)**

**Authorised Full Name:**.....

Authorised Job Title:.....

Authorised Tele No:.....

Authorised Signature:.....

Please print off and return signed form to:-

Income Section box

**Matthew Lee**  
**Exchequer Team Leader**  
**Cliftonville House**  
**Northampton**  
**NN4 7NR**  
**Tele ext 8530**

|  |
|--|
| <b>Signed:</b>                               |
| <b>Date:</b>                                 |
| <b>Email IT:</b><br><b>Iras SD Live icon</b> |

APPENDIX THREE



**NORTHAMPTON  
BOROUGH COUNCIL**

**Northampton Borough Council**

**Sundry Debtors Price Increase Form**

|  |  |
|--|--|
| Name of person requesting price change |  |
|--|--|

|  |                                |
|--|--------------------------------|
| Authorisation of line manager (this must match the line manager who has authorised your access for Sundry Debtors) | Name in CAPS<br><br>Signature: |
|--|--------------------------------|

| Description of Price Unit (Charge) | Current Price | Price Code (IRAS) | New Price per unit | Effective From | Establishment Code |
|------------------------------------|---------------|-------------------|--------------------|----------------|--------------------|
|                                    |               |                   |                    |                |                    |
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|                                    |               |                   |                    |                |                    |

Please ensure that price increase notifications are sent 20 days prior to Unit Price change.

|  |   |
|--|---|
| (Exchequers Services Section Only) Increase Memo No: |   |
| Received in Exchequers Services Section              | Name and Date of person amending the price file |





# Agenda Item 9

Appendices



Item No.

9

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

Report Title

Corporate Debt Policy

AGENDA STATUS:

PUBLIC

|                                      |                          |
|--------------------------------------|--------------------------|
| <b>Audit Committee Meeting date:</b> | 17/05/2010               |
| <b>Policy Document:</b>              | Yes                      |
| <b>Directorate:</b>                  | Finance and Support      |
| <b>Accountable Cabinet Member:</b>   | Councillor David Perkins |

### 1. Purpose

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1.1 This policy has been created in order to formalise statutory requirements and best practice currently in operation across the Council.

### 2. Recommendations

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2.1 That the audit committee review the corporate debt policy at **appendix A** prior to its inclusion at the cabinet meeting of the 19<sup>th</sup> May 2010.

2.2 A set of fair debt principles and an initial equality impact assessment can also be found at **appendix B** for review.

### 3 Issues and Choices

---

#### 3.1 Report Background

3.1.1 In order to reduce debt levels at the end of July 2009 a new corporate debt team was formed from members of the old cashiers and income team. The purpose of the new team is to actively seek recovery of overdue debts owed to the Council. The team is part of the revenues and benefits department, who have extensive experience of the collection and recovery of debts owed to the Council. The revenues team have responsibility for recovery of overdue debt as follows:

- Council Tax
- Business Rates (NNDR)
- Business improvement district levy (NNDR)
- Council Tenants
- Former Council Tenants
- Service Charges for leaseholders
- Rent in respect of temporary and bed and breakfast accommodation
- Re-chargeable repairs – current tenants
- Re-chargeable repairs – former tenants
- Housing benefit overpayments
- Sundry debts (i.e. Council services)

3.1.2 Liaison and data cleansing have been a priority during 2009/10. Work completed has identified key actions to improve the financial management of debts across the Council and a corporate debt policy and subsequent procedural revision around debt management will ensure that we improve our performance in this area.

3.1.3 Fair debt practices accompany this policy in the form of a set of principles we will work towards over the coming year and beyond **APPENDIX C**. These ensure we treat the total indebtedness of our residents alongside setting up frameworks aimed to provide first class advice and the prevention of overdue debt occurring in the first place.

3.1.4 As part of the development of this policy welfare advice agencies have provided insight and suggestions based on customer insight they have gained through working with those in debt and vulnerable groups within the community.

3.1.5 An equalities impact assessment, initial screening has been completed and a subsequent action plan will be created prior to a full assessment being completed. The actions identified will provide for ongoing assessment of equality factors and not the policy itself.

3.1.6 An exercise that overlays actual overdue debt information onto a map of Northampton, will also be completed and form part of a full equalities impact assessment. This exercise gives us a view of debt across the Northampton area and is intended as an ongoing activity to help spot areas of high indebtedness alongside early identification of new areas. This in turn will assist in targeting areas for benefit take up and debt advice.

3.1.7 The new team and corporate debt policy will facilitate the processes that will ensure we proactively manage debt. This will utilise statutory duties and powers to recover and include performing means assessments where required, making arrangements and writing off debt.

3.1.8 A new corporate measure will be introduced in 2010 / 11 that aims to ensure all debt is managed proactively. Analysis completed at the end of December 2009 showed that 21% of debt across the Council is currently classed as inactive. Some of this will be down to factors below:

- Awaiting write off (minimal levels),
- Returned from bailiff or collection agencies,
- Awaiting host system to move debt onto next stage i.e. reminder, final notice etc. (there are system issues being resolved with computer systems preventing debt moving to the next stage)
- Identification that a debt is being recovered elsewhere i.e. if we prioritise Council Tax and rent arrears we need to identify where a HB debt will not then be recovered until other debts have been settled.
- In order to do this we have completed an exercise that takes extract information from all back office systems and merges them into a single record. This then allows us to identify the single indebtedness of a customer and take appropriate action / hold recovery action.
- As a result debt classified as inactive will be able to be re – classified as in progress as result of reviewing multiple debts as one single debt across the Council.

## **3.2 Issues**

3.2.1 As detailed above extensive data cleansing has been undertaken to ascertain the stage historic and current debt has reached in the recovery process. This involves development of existing systems to enable accurate and timely system generated reports. This particularly relates to the IRAS (sundry debtors) and IBS system in housing.

3.2.2 Alongside the management reporting aspects, service re – design and consultation across Departments continues and 17 separate individual departments are being consulted on plans for income and debt management. This is in order to address specific requirements moving forward around:

- Minimising debt occurring in the first place, particularly through the timely assessment of benefits,
- Ensuring that services by the Council are paid up front where possible i.e. housing repairs, rental of meeting rooms etc.
- Ensuring the completion of housing benefit forms IRO temporary accommodation,
- Maximising benefit through prompt completion of benefit forms at tenancy sign-ups,
- Completion of processes and procedures between Departments and debt recovery team to ensure all debt referred / showing as overdue is accurate i.e. all appropriate reminders, efforts to ensure prompt payment, reconciliation of actual payments have been completed prior to referral / when picked up as overdue by the debt recovery team.

## **3.3 Choices (Options)**

3.3.1 Best practice information has been reviewed as part of developing a corporate debt policy. Best practice in the collection of rent and rent arrears and collection of housing benefit overpayments indicates that a corporate debt policy should be in place.

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

---

### **4.1 Policy**

4.1.1 Corporate Debt Policy as detailed to be agreed at cabinet meeting on the 28<sup>th</sup> July 2010,

4.1.2 Write off financial instruction reviewed as part of review process,

### **4.2 Resources and Risk**

4.2.1 Existing corporate debt team and managers within the revenues department will continue to work towards the effective management of debt within the Council

4.2.2 Current processes, statutory and best practice used across the Council will be formalised in a policy. Regard to single indebtedness and the equitable collection of debts will enhance existing procedures in place. Therefore the risk level in creating the policy is seen a minimal.

### **4.3 Legal**

4.3.1 Policies and procedures are constantly reviewed in order to ensure they meet statutory frameworks.

### **4.4 Equality**

4.4.1 All policies will require a full equalities impact assessment.

### **4.5 Consultees (Internal and External)**

4.5.1 Consultation with Welfare agencies, housing associations and external bailiff and collection organisations have and will continue to be undertaken as part of policy creation and monitoring.

### **4.6 Other Implications**

4.6.1 N/A

## **5. Background Papers**

---

5.1 N/A

**Report Author: Robin Bates, Head of Revenues and Benefits**

**DRAFT**

**NORTHAMPTON BOROUGH  
COUNCIL**

**CORPORATE DEBT POLICY**

Revised Draft 6<sup>th</sup> May 2010

## **1 INTRODUCTION**

1.1 The Council levies charges and rent for a variety of services and is responsible for the collection of local taxes. Whilst the majority of income due is paid on time, arrears of payment do arise for a variety of reasons. This policy sets out the principles that will be applied when recovering the unpaid rent or charges.

1.2 This policy has been created in order to formalise statutory requirements and best practice across the Council.

1.3 The Council outlines, which debts should be given priority for recovery.

1.4 As part of this policy an initial equalities screening has been completed that looks across all areas of corporate debt recovery. This has been published on the Council's website and can be found, alongside other Equalities impact assessments relating to debt at [www.northampton.gov.uk](http://www.northampton.gov.uk)

## **2 AIMS**

2.1 The aims of the corporate debt policy are to:

- Facilitate a coordinated approach to managing multiple debts owed to the Council
- Identify where appropriate support, which may be required, to those owing money to the Council and ensure their circumstances are taken into consideration
- Apply best practice in relation to debt collection

## **3 SUPPORTING CORPORATE AIMS**

3.1 The corporate debt policy and supporting principles support the delivery of the following corporate priority outcomes:

- Improved homes, health and well-being
  - Reducing homelessness
  - Meeting housing needs
- An efficient, well managed organisation that puts our customers at the heart of what we do
  - Improve our financial management
  - A well-regarded organisation

- Equitable services
- Efficient and effective management of services
- Strong partnerships and engaged communities
- Effective working with other public, voluntary and community sectors
- Understanding our customers

#### **4 SCOPE OF POLICY**

4.1 This policy applies to the collection of:

- Council Tax
- Business Rates (NNDR)
- Business improvement district levy (NNDR)
- Council Tenant rents
- Former Council Tenant rents
- Rent for temporary and bed and breakfast accommodation
- Collection of rent bond payments
- Service Charges for leaseholders
- Re-chargeable repairs – current tenants
- Re-chargeable repairs – former tenants
- Housing benefit overpayments
- Sundry debts (i.e. Council services)

4.2 There are separate specific rules and legislation, which govern the enforcement and collection of these debts.

#### **5 PRINCIPLES OF THE CORPORATE DEBT POLICY**

5.1 The following principles will be followed when seeking to recover debt from customers:

- Effective arrangements will be in place for access, advice and support.
- Debt recovery action will include, where the need is identified, carrying out an assessment of the customer's ability to pay. This will be based on a version of the Common Financial Statement (A budgetary tool operated by the Money Advice Trust)
- Customers will be advised promptly about the existence of debt



- Recovery action, including the provision of advice will be initiated within statutory periods or as soon as practicable.
- All letters will be clear and will give details of where to obtain advice
- Where customers owe more than one debt to the council, consideration will be given to a hierarchy of debt in order to identify priority debts
- Departments will work together to assess how much a customer can afford to pay
- Enforcement action for recovery will be taken where payment of debts owed to the Council are not secured at an amount agreed between the Council and the debtor
- The needs of customers will be taken into account and particularly where it is identified that customers are vulnerable. It is recognised that vulnerable customers may be less able to manage their financial affairs and additional support may be required. Vulnerable customers identified will be sign-posted to appropriate support agencies. Debt recovery action will take account of the vulnerability, for example, personal visits may be increased, assistance in filling in forms or writing letters may be provided, and liaison will take place with support agencies

Some examples of vulnerability include:

- Young people leaving care or those who have left care and are under 25;
- The elderly;
- Customers with mental health needs affecting their ability to sustain independent living
- Customers with substance misuse, learning disability, or physical disability support needs;
- Victims of Hate Crime;
- Victims of serious anti social behaviour;
- Victims of domestic violence;
- Customers with sensory impairment support needs;
- Customers with serious ill health or HIV/AIDS
- Customers who have been homeless recently
- Each case of vulnerability will be considered based on its individual circumstances

## **6 ASSESSMENT OF ABILITY TO PAY**

6.1 Debt recovery procedures will include carrying out an assessment of a customer's income and expenditure, identifying unclaimed benefits, providing advice and assistance with claiming benefits and tax credits and identifying priority and other debts.

6.2 Where customers are unable to clear the debt in one lump sum payment, arrangements will be made for payment by instalment. Provided the arrangement is kept to, no further recovery action will take place. Instalment arrangements will be realistic (taking into account income and necessary expenditure) and allow the customer to make reasonable payments to clear all priority debts. Customers with multiple debts will be sign-posted to more in depth advice.

## **7 HIERARCHY OF DEBT**

7.1 Some customers will owe more than one debt to the Council, and may be on a low income or experiencing financial hardship. In such cases, it needs to be clear, which debts the Council considers a priority.

7.2 Priority will be given to debts where non-payment could lead to loss of the customer's home or imprisonment. These relate to rent arrears and Council Tax, which are most commonly enforced through the courts as per statutory requirements.

7.3 Where housing benefit is in payment, recovery will be implemented at a rate that allows reasonable re – payment of other debts.

7.4 Other debts owed to the Council will be considered to be of lower priority.

## **8 ENFORCEMENT**

8.1 The aim of this policy is to recover debt without having to resort to enforcement action. However, enforcement, including court action, will be necessary where debts are not paid. The Council will use all legal means to recover debts, including:

- Attachment of earnings orders
- Deduction from benefits
- Bailiffs and debt collection agencies
- Possession proceedings
- Bankruptcy
- County court money judgements
- Committal to prison proceedings

- Charging Orders

8.2 Eviction, committal to prison and bankruptcy are actions of last resort.

# Initial Screening- Corporate Debt Policy

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## Equality Impact Assessment – screening.

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**Name of Strategy/Policy:**

Corporate Debt Policy

**Date of Assessment:** 19/04/2010

**Is this a new or updated Policy?** New

**How is the Strategy/Policy finalised/adopted:**

Cabinet/Board  Delegated

**Lead Officer conducting the assessment:** Robin Bates

**Job Title:** Head of Revenues and Benefits

**Service area:** Revenues and Benefits

**Contact details:** 01604837119

**Others involved in the assessment:** Finance and Support and Housing.

**Identify what the activity is trying to achieve – why is the Policy/activity<sup>1</sup> required**

Creation of a policy to ensure that all monies due to the Council are collected efficiently, in accordance with legal requirements and using best practice.

**Purpose of the Policy/activity.**

Northampton Borough Council is continually working to address equality gaps wherever these may be found. The Council has come a long way and is very proud of the progress made but it recognises that it will need to continue to work hard to maintain its achievements and progress through the Equality Framework. The Council also acknowledges that in these difficult times, difficult decisions will have to be made. The Council has the ambition that by

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<sup>1</sup> Policy/activity in this context includes policies, services, strategies, functions, projects, plans, restructures, major events, etc

2013 it will be excellent in terms of public service. This includes priorities in the financial management of the Council.

**Identify the main beneficiaries or people affected by the issue**

The policy will affect all areas of the community that have overdue debts to the Council, including those liable due to arrears of:

Council Tax  
Business Rates  
Business improvement district levy  
Council Tenants  
Former Council Tenants  
Temporary and bed and breakfast accommodation  
Service Charges for leaseholders  
Re-chargeable repairs – current tenants  
Re-chargeable repairs – former tenants  
Housing benefit overpayments  
Sundry debts (i.e. Council services)

**What information exists already?**

Best practice available in relation to collection of debt and will be reviewed as part of creating the draft policy. Best practice associated with the collection of Housing Benefit overpayments (Key Lines of Enquiry from the Audit Commission) Best practice in the collection of rent arrears from the Audit Commission.

**Has any consultation been undertaken on this or related issue?**

Yes and will be outlined as part of a full equalities impact assessment, although the policy incorporates statutory obligations, considerations of fair debt practices (not increasing the total indebtedness) requirement of court orders, established best practice based on research completed elsewhere on communities akin to Northampton.

**Are any reports or other relevant documents available from our organisation or from partners or other sources?**

NBC Equalities level 3 self-assessment  
NBC Equalities level 3 peer review report  
Equalities Journey framework  
Examples of other Corporate Debt policies  
Vulnerable tenants policies etc.

**Which parts of the activity have the potential for adverse impact or to discriminate unlawfully?**

The policy, procedure or working practice may have a differential impact on people's race, religion/belief, disability, gender, age, sexual orientation or caring responsibilities; which could be positive (it could benefit) or negative (it could disadvantage). The policy, procedure or working practice may also have a neutral impact (no consequences).

|                        | <b>Positive Impact<br/>(✓)</b> | <b>Negative Impact<br/>(✓)</b> | <b>Neutral Impact<br/>(✓)</b> | <b>Reason for Impact</b> | <b>Details of People Impacted (e.g. BME community, wheelchair users, females etc)</b> | <b>Evidence (this may include statistics or data already collected)</b> | <b>Can any positive/negative impact be justified? Is it lawful? (e.g. positive action)</b> |
|------------------------|--------------------------------|--------------------------------|-------------------------------|--------------------------|---|---|--|
| <b>Race</b>            | ✓                              |                                |                               |                          | Language Line   | Vulnerability trigger   | Preventative Action  |
| <b>Religion/Belief</b> |                                |                                | ✓                             |                          |   |   |  |
| <b>Disability</b>      | ✓                              |                                |                               |                          | A clear route for vulnerable people to obtain help and advice                         | Vulnerability trigger   | Preventative action  |
| <b>Gender</b>          |                                |                                | ✓                             |                          |   |   |  |
| <b>Age</b>             | ✓                              |                                |                               |                          | A clear route for vulnerable people to obtain   | Vulnerability trigger   | Preventative action  |

|                                |  |  |   |  |                 |  |  |
|--------------------------------|--|--|---|--|-----------------|--|--|
|                                |  |  |   |  | help and advice |  |  |
| <b>Sexual Orientation</b>      |  |  | ✓ |  |                 |  |  |
| <b>Caring Responsibilities</b> |  |  | ✓ |  |                 |  |  |

**Could a particular sector of the community be disadvantaged by the strategy/policy.**

Yes  No  (give details of any evidence you may have)

**If yes**, proceed to undertake a full [Equality Impact Assessment](#) (EIA)

**If no**, then have this confirmed by the Corporate Equalities Steering Group representative for your area and signed off by your Service Head / Corporate Director/ Board. In the event of any queries, check with a member of the Policy team.

**Action points** (please make this SMART-state what/who/how/when) **to be completed even when not proceeding to a full assesment**

Compile information necessary to complete full impact assessment.

**Confirmed by:** Robin Bates

**Signed by:**



**Please attach a copy of this screening to the document it relates**

✓

**Copy to be sent to Policy Team Leader at [policy@northampton.gov.uk](mailto:policy@northampton.gov.uk)**

✓

## **Fair Debt Principles**

The Council has put into place a corporate debt policy. This policy aims to:

- Facilitate a co-ordinated approach to managing multiple debts owed to the Council
- Identify where appropriate support may be required, to those owing money to the Council and ensure their circumstances are taken into consideration
- Apply best practice in relation to debt collection

The Council takes its financial responsibilities in maximising income very seriously and aims to continually improve its financial management. The Council however is equally serious about its social responsibilities in ensuring that fair debt principles will be considered as part of debt collection.

The Council's aims are shown below:

- A significant proportion of debtors are on low incomes or housing and council tax benefit. Debtors may owe more than one debt to the Council. As a result we will always try to consider their total indebtedness. We will work to:
  - Not add to the debt owed due to inability to pay through additional costs being applied,
  - Not cause arrears to occur elsewhere i.e. through unrealistic recovery rates applied to individual debts,
- Ensure that we facilitate a coordinated approach to sharing information in order to assist in managing multiple debts owed to the Council
- We will be clear and concise in managing debts by:
  - Providing assistance to avoid and minimise debts occurring, through implementation and review of preventative actions taken across the Council,
  - Ensure that appropriate support is given to those owing money to the Council,
  - Consider the circumstances of individuals particularly where it is identified that they are vulnerable,
  - Provide customers with information on where to get help and advice about benefits and debt problems. This will include information and advice from the Council and independent advice from the Citizens Advice Bureau, Community Law Services, Northampton credit union and other independent advice organisations.



- By providing information on payment options,
- By encouraging self-help,
- We will assist in maximising customers income by:
  - Ensuring we take a proactive approach to advertising eligibility to benefits,
  - Provide information about claiming housing and council tax benefit within arrears letters.
  - Ensure all new Council tenants receive both a housing benefit entitlement check and a financial health check when signing up for their tenancy.
- Work with welfare agencies to ensure that a co-ordinated approach is made in making arrangements to pay a debt. In these cases we will set frameworks that enable arrangements to be made by employees of trusted partners that are implemented by the Council
- Take every opportunity to engage with debtors prior to them incurring additional costs
- Ensure we monitor closely the conduct of bailiff and collection agencies employed by the Council. In all cases of distress (removal of possessions), the following goods will be protected from enforcement:
  - Such tools, books, vehicles, and other items of equipment as are necessary to the debtor for use personally in his employment, business or vocation.
  - Such clothing, bedding, furniture, household equipment and provisions as are necessary for satisfying the basic domestic needs of the debtor and his family.
- The Councils housing solution team provide a money advice service. As part of this service we will consider debts owed to outside agencies alongside Council debts.
- The Councils housing solution team will also work with vulnerable customers who contact the Council, both in terms of those fleeing domestic abuse, young single homeless households, homeless families, people with complex multiple needs, alcohol and or drug addiction, a history of offending, learning difficulties, physical disabilities with mental health needs and advice relating to debt.

# Agenda Item 10

Appendices



Item No.

10

**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

|                     |                                    |
|---------------------|------------------------------------|
| <b>Report Title</b> | <b>Fraud and Error 2009 / 2010</b> |
|---------------------|------------------------------------|

**AGENDA STATUS: PUBLIC**

|                                      |                          |
|--------------------------------------|--------------------------|
| <b>Audit Committee Meeting date:</b> | 17/05/2010               |
| <b>Policy Document:</b>              | No                       |
| <b>Directorate:</b>                  | Finance and ICT          |
| <b>Accountable Cabinet Member:</b>   | Councillor David Perkins |

### 1. Purpose

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1.1 At the audit committee meeting on the 22<sup>nd</sup> March 2010 a request was made to review performance on fraud and error during 2009 / 2010.

### 2. Background

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2.1 Northampton Borough Council are committed to the Investigation and prosecution of fraudulent claims for Housing Benefit and Council Tax benefit.

2.2 As part of this aim we have a permanent resource of staff dedicated to reducing fraud and error within the system. The total number of staff employed to deal with fraud and error is 16 full – time equivalents.

2.3 Investigations are conducted in compliance with the Criminal Procedures and Investigations Act 1996 and the Police and Criminal Evidence Act 1984 alongside adhering to the Social Security administration act 1992 and subsequent powers granted through the fraud act 1996, 2001 and 2006. New powers have been introduced to investigate and prosecute fraud relating to wider state benefit. This has been granted as part of the Welfare Reform Act 2007. We also comply with the requirements of the Regulation of Investigatory Powers Act 2000, when conducting surveillance as part of investigations.

2.4 All of our fraud officers undergo checks via the criminal records bureau and the team are seated in a separate secure office.

2.5 We participate in the National Fraud Initiative alongside resolving all data mismatches received via the Housing Benefit Matching Service. Matched data looks for irregularities between different agency computer systems i.e. where a second adult appears on a claim we hold that indicates a sole occupier.

2.6 We are also working with colleagues from our housing Department in order to investigate cases of tenancy fraud.

2.7 We also work closely with the Department for Work and pensions and other Government agencies. As part of this we often prosecute cases jointly with the DWP and are involved in regional exercises such as the recent project guardian.

2.8 A summary of the outcome of the inter – agency project guardian is as follows:

- 192 vehicles stop/checked (126/66 split Netto/Thorpeville)
- 8 arrests
- 20 vehicles seized for no insurance
- Red diesel offences (HMRC) plus a large seizure of alcohol (wine & lager)
- 36 prohibitions by VOSA (mostly immediate) for various mechanical defects, mainly tyres, lights and corrosion problems
- 47 notices by TRADING STANDARDS relating to illegal trading
- 60 potential reports by DVLA
- DWP reported one for false declaration, another 8 to be followed up.
- UK Borders Agency identified one person had given false details, he was subsequently arrested for Fraud
- NBC Fraud Investigation will be further investigating 15 persons (9 for Council Tax adjustments and 6 for other Council benefit fraud related issues).
- NBC Environmental Crime Unit no results at present
- Environment Agency reported 2 for trading without a waste carriers licence,
- DVLA (on site) reported 2 for registration plate related offences
- Police Road Traffic Act reports, fixed penalty notices etc. 20 reported for no insurance. 3 driving licence offences, 4 no MOT, 8 fixed penalty notices for defective tyres, 4 reported for no VEL, plus a number of vehicle defect rectification notices.
- Intelligence logs will be at least 100. Feedback from the other agencies indicates that they also gained intelligence from the vehicles/persons stopped at both checks.

2.9 Some examples of prosecutions as publicised in local media are shown at **appendix A**

### 3 Performance summary 2009 / 2010

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3.1 Performance within our fraud team exceeded expectations in 2009 / 2010. Below is a summary of the work undertaken last year:

|  |          |
|--|----------|
| Total Number of Fraud referrals:         | 1780     |
| Total Number of Fraud Investigations:    | 999      |
| Total number of Sanctions*               | 91       |
| Total Number of Prosecutions:            | 23       |
| <br>                                     |          |
| Total amount of overpayments identified: | £818,239 |

\*Sanctions relate to cautions and administrative penalties. Cautions stay on record for two years and can be cited when there is a re – offence. Administrative penalties are the same as cautions but also carry an additional penalty of 30% of any overpaid benefit.

3.2 In addition to the work we have completed on fraud we have also conducted the following reviews on our live claims:

|  |      |
|--|------|
| Total Number of visits:                      | 3276 |
| Total visits where benefit increased:        | 210  |
| Total where benefit Decreased (overpayment): | 1319 |
| Total where benefit stayed the same:         | 959  |
| No of fraud referrals generated:             | 31   |

The most common type of un-notified change has been as follows:

|               |            |                                |         |           |                    |                    |
|---------------|------------|--------------------------------|---------|-----------|--------------------|--------------------|
| Earned Income | Pensioners | Pass-ported i.e. State benefit | Student | Maternity | Statutory Sick pay | Other DWP Benefits |
| 803           | 688        | 1115                           | 17      | 12        | 1                  | 137                |

3.3 We use risk assessment based on the likelihood of a change occurring to a benefit claim. This means that the common changes highlighted above i.e. changes to earned income will attract a visit on a six monthly or annual basis. Other areas such as students and other DWP benefits less frequently. This ensures we do not waste resource in identifying the correct information for assessments.

3.4 As a result of all of our work, we will have identified well in excess of a million pounds in fraud and error, alongside maximising the benefit entitlement of those who have not reported an advantageous changes in their income.

#### 4.1 Equality

4.1.1 All practices within revenues and benefits have or are in the process of undergoing equalities impact assessments (EIA).

## **4.2 Consultees (Internal and External)**

4.2.1 We work closely with partners from the Department for work and pensions, customer services, housing and welfare advice groups in identifying and resolving fraud and error.

## **4.3 Other Implications**

4.3.1 N/A

## **5. Background Papers**

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5.1 N/A

**Report Author: Robin Bates**

Officers from a number of different agencies carried out spot checks across Northampton yesterday as part of the continuing operation. No action was taken against the driver in this picture *CE picture by KELLY COOPER*

## HUNDREDS of cars were stopped in Northampton during one of the largest ever anti-crime operations carried out in the town.

More than 100 officers and representatives from 11 different partner agencies, including Trading Standards, HM Revenue and Customs, Environment Agency, UK Border Agency and British Transport Police, were split between two sites in the town from 9am until 8pm yesterday as part of a so-called "high impact day".

The intention of the operation was to target vehicles used by people involved in crime and teams of officers were set up in the Lidl car park in Far Cotton and at a location in Thorpeville, off the A33.

Superintendent Pete Windridge said: "The operation in Northamp-

By Callum Jones  
Chronicle Reporter

ton is one of the biggest we have undertaken of this nature and involves more partners than we have seen for some time, working together to target those people most likely to cause suffering to our local communities.

"This is a different aspect to our approach to Operation Guardian, but one that we hope will see many positive results. We hope Operation Guardian continues to demonstrate to our communities our determination to keep our county safe".

Earlier results from the operation held in the town included eight vehicles being seized from people and two people being arrested after officers found them to be wanted on arrest warrants.

As a result of a similar "stop and search" location in Kettering yesterday, a man in Wellingborough was arrested for theft from vehicles, and also in connection with drugs offences following the suspected recovery of cannabis, heroin and crack cocaine from an address in Great Park Street.

A woman was also arrested after a search warrant was executed in Barnes Close, Kettering, for suspected possession of drugs.

Other agencies involved in the operation included HM Court Services, the Vehicle Operators and Services Agency, the Department of Work and Pensions, SmartWater and Northampton Borough Council.

As the result of an Automatic Number Plate Recognition (ANPR) day of action earlier in the month 249 people were arrested and 431 vehicles were seized.

# 'This will send out a warning'

CRIMINAL activity in Northampton was likely to be "disrupted" by the high impact day, one of the inspectors in charge of running the operation has said.

Inspector Andy Hall, who was at the Lidl "stop and search" site yesterday, said the operation sent out a clear message to the local community that criminality of any type would not be tolerated.

He said: "The reason we pick the sites in Far Cotton and in Thorpeville is that they are near areas of high crime. The idea of the multi-

agency approach is that we can widen our audience of potential criminality.

"By the end of the day everyone will have known we have been here and with such a broad spectrum of partners here we can build up intelligence.

"If we stop someone for having no insurance then that could lead to us finding out they are wanted for another crime. We are using our wider powers to disrupt and arrest perpetrators of crime."

The operation in Northampton

involved more than 100 officers and representatives from 11 partner agencies and involved the use of Automatic Number Plate Recognition (ANPR) equipment.

The vehicles stopped by officers were those that "flashed up" as having no tax or insurance or those that were deemed as "suspicious" in some way.

Insp Hall said: "We stop people whose vehicles flash up on the ANPR camera and officers use their experience to find vehicles that they think might look suspicious."



Eleven agencies join latest Operation Guardian sting

# Hundreds face stop and search



# Jail for mum in £20K fraud

A BENEFIT fraudster wept in court as she was jailed for stealing more than £20,000 of public money over a period of two years.

Matia Begum, aged 35, of Barn Owl Close, East Hunsbury, admitted falsely claiming income support amounting to £19,600 and council tax worth almost £2,500.

At Northampton Magistrates Court yesterday, her solicitors said the mother-of-four had been forced to claim the benefits to care for her young children after her husband left the marital home.

John Weaver, defending, said Begum had suffered "religious and cultural difficulties" and her husband, who she met through an arranged marriage, had given no indication of whether or not he would return home when he first left in 2005.

He added: "She has never been in trouble before, but clearly she is in a substantial amount of trouble now."

He appealed for magistrates to consider the fact that Begum cared for four children between the ages of two and 14.

But Russell Eaton, prosecuting on behalf of the Department for Work and Pensions (DWP), said the case was aggravated by the fact the deception had begun in late 2005 and only ended in October 2007.

He added Begum's husband, whom she claimed had moved back to Bangladesh, was actually working as a Hackney carriage driver in Northampton and had been spotted parking his car outside her home on more than 20 occasions during that period.

He was also present in the town to register the birth of their youngest son in 2006.

Presiding magistrate Brian Gentry sentenced Begum to 20 weeks in jail, adding: "The reason we feel we have no option is because of the seriousness of the offence."



# Benefit cheat loses jail appeal

A BENEFIT fraudster who was jailed for claiming £20,000 of benefits has had her appeal against her sentence dismissed.

Matia Begum, aged 35, was sentenced to 20 weeks' imprisonment earlier this month after she pleaded guilty to benefit fraud, and admitted falsely claiming income support worth £19,600 and council tax relief worth almost £2,500.

The mother-of-four, of Barn Owl Close, East Hunsbury, claimed Government assistance over a two-year period, while maintain-

ing she was a single mother who had been abandoned by her husband.

At a hearing earlier this month, her solicitor alleged she had been forced to claim the benefits to care for her young children after her husband left the marital home.

John Weaver, defending, said Begum had suffered "religious and cultural difficulties" and her husband, who she met through an arranged marriage, had given no indication as to whether or not he would return home when he

first left in 2005. He added: "She has never been in trouble before, but clearly she is in a substantial amount of trouble now."

He appealed for magistrates to consider the fact that Begum cared for four children between the ages of two and 14.

However, the prosecution by the Department for Work and Pensions (DWP), said the case was aggravated by the fact the deception had begun in late 2005 and only ended in October 2007.

The court also heard Begum's

husband, whom she claimed had moved back to Bangladesh, was actually working as a Hackney carriage driver in Northampton and had been spotted parking his car outside her home on more than 20 occasions.

Sitting with two magistrates at Northampton Crown Court yesterday, Judge Ian Alexander QC told Begum it had been "a hopeless" appeal.

He added: "If anything, it was a generous sentence from the magistrates' court."

# Prison for benefit cheat mother

A MOTHER who worked as a cleaner while fraudulently claiming up to £37,000 in benefits has been sentenced to 14 months' imprisonment.

Karen Clancy, aged 37, claimed income support, housing and council tax benefits over two and a half years, while earning a living as a self-employed cleaner.

Wendy Hewitt, prosecuting for the Department of Work and Pensions, said that as a lone parent, she was entitled to the maximum level of support when her claim began legitimately in 1999.

As well as repeatedly signing the non-declaration of work, she also attended sessions designed to help her get back into employment.

Miss Hewitt added: "A total of 21 witness statements were taken, saying they had employed her during the course of this period as their cleaner.

"An aggravating feature is she was employing others to work with her as cleaners and some of those were in receipt of benefits.

"It is also plain that there was a loan application for a car in 2007 where she declared she had been self-employed for four years and three months with an income of £1,030 a month.

"She was working with undeclared cash in hand and had the true circumstances been known, she would not have received these benefits."

Clancy, of Nether Jackson Court, Blackthorn, Northampton, pleaded guilty to two charges of failing to notify a change of circumstances, between August 2005 and March 2008.

Paul Tweddle, mitigating, said the mother-of-four, who is now paying the money back weekly, had not been running a company but working for cash in hand.

Carer admits to stealing £14,000 over a period of five years

# Benefit cheat told to expect jail sentence

**A CARER from Northampton who has admitted stealing more than £14,000 in housing and council tax benefit has been told she is facing jail.**

Nancy Green, aged 46, of Dane-field Road, Abington, dishonestly declared on benefit application forms that she had no partner residing at her home address when, in actual fact, Owen Timberlake, the father of her daughter, was living at the property.

Northampton Magistrates' Court heard the fraud was carried out over a period of five years from March 31, 2003 until August 3, 2008.

Mohammed Rahman, prosecuting for Northampton Borough

**By Callum Jones**  
Chronicle Reporter

[callum.jones@northantsnews.co.uk](mailto:callum.jones@northantsnews.co.uk)

Council, said Green's crime had been revealed after background checks on Timberlake showed he was registered on the electoral roll at her house and he had also given her address as his place of residence to the DVLA and a number of banks.

Mr Rahman said Green, who

works at Oakwood Nursing Home, off Kettering Road, had falsely claimed a total of £12,469.99 housing benefit and £1,834.55 council tax benefit.

He said Green had "deliberately misled" the council after first denying that Timberlake had lived with her and then failing to attend four appointments arranged by officers investigating her case.

Ron Mineards, defending, said the case was not a "sophisticated"

fraud but had come about as the result of Timberlake's unpredictable lifestyle.

He said: "Mr Timberlake would turn up when he wanted to and she would have no idea how long he would be staying there."

The magistrates' asked for reports to be carried out ahead of sentencing but indicated that, due to the seriousness of the offence, six weeks custody would be the expected punishment.

Chairman of the bench, Dr Rosemary Sage, said: "The aggravating factor of this case was the long period of time it was committed and the substantial amount of money involved. £14,000 is a lot of public money."

The case was adjourned until sentencing later this month.

**“The aggravating factor of this case was the long period of time it was committed and the substantial amount of money involved.**

**— Chairman of the bench, Dr Rosemary Sage**

# Agenda Item 11

Appendices



**NORTHAMPTON**  
BOROUGH COUNCIL

Item No.

11

## Audit Committee

Report Title

Annual Internal Audit Report

**AGENDA STATUS:**

**Public**

**Meeting Date:**

17<sup>th</sup> May 2010

**Directorate:**

Finance and Support

**Accountable Cabinet Member:**

Councillor David Perkins

**Ward(s)**

N/A

### 1. Purpose

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1.1 To present the Internal Audit Annual report.

### 2. Recommendations

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2.1 That the Audit Committee reviews the 2009/10 Annual Audit Report and notes its content.

### 3. Issues and Choices

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#### 3.1 Report Background

3.1.1 The attached annual audit report is the Internal Auditor's (PWC's) report on the overall adequacy and effectiveness of the Council's:

- Risk Management
- Control and;
- Governance Processes

Collectively, these are referred to as "the system of internal control".

## **3.2 Issues**

- 3.2.1 The report highlights improvements made and also areas of weakness, that will need to be included in the Council's Annual Governance Statement.
- 3.2.2 The Annual Governance Statement will be presented to the Audit Committee in June 2010, with the statement of accounts, for approval.
- 3.2.3 As the report notes on page 5, limited assurance is given on the design, adequacy and effectiveness of the system of internal control.
- 3.2.4 The report notes the considerable improvements made in a number of areas, such as budgetary control, bank reconciliations and treasury management.
- 3.2.5 Through the audits that are noted in the attached annual report, management action is being taken to address audit recommendations. These are reported on at each committee meeting.

## **3.3 Choices (Options)**

N/A

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

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### **4.1 Policy**

N/A.

### **4.2 Resources and Risk**

N/A.

### **4.3 Legal**

None

### **4.4 Equality**

N/A

### **4.5 Consultees (Internal and External)**

Director of Finance and Support, Head of Finance and Assets

### **4.6 How the Proposals deliver Priority Outcomes**

N/A

#### **4.7 Other Implications**

None

#### **5. Background Papers**

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5.1 Internal Audit reports.

**Gavin Chambers, Head of Finance and Assets. Ext. 7194**

# Northampton Borough Council

## Internal Audit Annual Report

### Distribution List

s151 Officer  
Chief Executive  
Directors  
Audit Committee  
Leader of the Council

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# 1 Background and scope

## **Background to this report**

The Government Internal Audit Standards (“GIAS”) and the Code of Practice for Internal Audit in Local Government in the UK 2006 require the Head of Internal Audit to provide a written report to those charged with governance timed to inform the organisation’s Annual 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 2009 to 31 March 2010

## **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 2009/10 internal audit plan agreed by the Audit Committee on 17 February 2010 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 2010 (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.

We noted **considerable improvement** in a number of audit areas with no control weaknesses identified in the following areas:

- Treasury Management
- Budgetary Control

We were also pleased to note that the overall opinion improved from the prior year in the following areas:

- \*Bank Reconciliations
- \*General Ledger
- \*Housing Rents

- Health and Safety
- \*Fixed Assets
- \*Bank Reconciliations

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:

- \*Debtors;
- Uniclass creditors;
- Grounds Maintenance

\* denotes report is in draft

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

We have however taken into account the considerable improvements in a number of areas and the positive response of management responses to the findings and consequently, we are able to 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 17 February 2009. 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   | January 2010   | Moderate Assurance                    | 0                  | 0    | 5      | 2   |
| *Debtors  | December 2009  | No Assurance                          | 0                  | 3    | 2      | 5   |
| Creditor Payments:<br>Agresso system<br>Uniclass system | December 2009  | Agresso -<br>Moderate<br>Uniclass -No | 0                  | 10   | 2      | 12  |
| *Payroll  | January 2010   | Limited Assurance                     | 0                  | 2    | 4      | 5   |
| Budgetary Control                                       | January 2010   | High Assurance                        | 0                  | 0    | 0      | 0   |
| Council Tax   | January 2010   | Moderate Assurance                    | 0                  | 0    | 4      | 1   |
| Non Domestic Rates                                      | August 2009    | Moderate Assurance                    | 0                  | 0    | 3      | 7   |
| *Bank Reconciliations                                   | February 2010  | Moderate Assurance                    | 0                  | 0    | 3      | 2   |
| Cashiers  | July 2009      | N/A controls work performed           | -                  | -    | -      | -   |
| Treasury Management                                     | January 2010   | High Assurance                        | 0                  | 0    | 0      | 0   |

| Audit  | Date Completed    | Assignment assurance level  | Number of findings |      |        |     |
|--|-------------------|-----------------------------|--------------------|------|--------|-----|
|  |                   |                             | Critical           | High | Medium | Low |
| Housing Benefits                                   | March 2010        | Limited Assurance           | 0                  | 1    | 2      | 0   |
| *Fixed Assets                                      | February 2010     | Moderate Assurance          | 0                  | 0    | 7      | 3   |
| *Housing Rents                                     | December 2009     | Moderate Assurance          | 0                  | 0    | 5      | 7   |
| Miscellaneous Income                               | July 2009         | N/A controls work performed | -                  | -    | -      | -   |
| *PAYE  | March 2010        | Limited Assurance           | 0                  | 2    | 6      | 1   |
| Legal Services                                     | February 2010     | Moderate Assurance          | 0                  | 1    | 3      | 1   |
| Human Resources                                    | March 2010        | High Assurance              | 0                  | 0    | 0      | 5   |
| Grounds Maintenance                                | December 2009     | No Assurance                | 0                  | 3    | 4      | 0   |
| Partnerships                                       | February 2010     | Limited Assurance           | 0                  | 1    | 5      | 1   |
| *Citizen Engagement (Including Housing Tenants)    | March 2010        | Moderate Assurance          | 0                  | 0    | 2      | 3   |
| *ICT audit   | March 2010        | Moderate Assurance          | 0                  | 0    | 6      | 0   |
| Home Renovation Grants                             | July 2009         | Moderate Assurance          | 0                  | 1    | 6      | 4   |
| Health and Safety                                  | August 2009       | Moderate Assurance          | 0                  | 0    | 1      | 2   |
| IFRS Health-check                                  | Removed from plan | N/a                         | -                  | -    | -      | -   |
| Contracts review                                   | Deferred          | N/a                         | -                  | -    | -      | -   |
| Closedown reports                                  | Removed from plan | N/a                         | -                  | -    | -      | -   |
| Risk management & Business Continuity Arrangements | December 2009     | Moderate Assurance          | 0                  | 0    | 7      | 6   |
| Governance Arrangements                            | Survey completed  | N/a                         | -                  | -    | -      | -   |

| Audit  | Date Completed | Assignment assurance level | Number of findings |      |        |     |
|--|----------------|----------------------------|--------------------|------|--------|-----|
|  |                |                            | Critical           | High | Medium | Low |
| Performance Management & Improvement Delivery                            | Deferred       | N/a                        | -                  | -    | -      | -   |
| *Anti fraud and corruption   | March 2010     | Moderate Assurance         | 0                  | 0    | 4      | 2   |
| Follow Ups:<br>Including Freedom of Information & Data Protection<br>VAT | Ongoing        | N/a                        | -                  | -    | -      | -   |
| NFI  | Ongoing        | N/a                        | -                  | -    | -      | -   |
| *Cash Collection   | December 2009  | Moderate Assurance         | 0                  | 0    | 8      | 2   |

\* Denotes in draft report stage

### Results of follow-up work

We have conducted follow-up work throughout the year, either as part of our assignment reviews, as a separate review or through a follow-up audit which has looked at all other areas.

We have been pleased to note the high number of recommendations management have marked as implemented on Team-central. We are currently conducting a sample check of these implemented findings.

### 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 2010/11.

# 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 2010. 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 2009/10

| Planned activity   | Planned days | Actual days |
|--|--------------|-------------|
| <b>1. Core Financial Systems – Fundamental assurance</b> |              |             |
| ▪ General Ledger   | 8            | 8           |
| ▪ Debtors  | 8            | 8           |
| ▪ Creditor Payments                                      | 10           | 10          |
| ▪ Payroll  | 10           | 10          |
| ▪ Budgetary Control                                      | 8            | 8           |
| ▪ Council Tax  | 8            | 8           |
| ▪ Non Domestic Rates (NDR)                               | 6            | 6           |
| ▪ Bank Reconciliations                                   | 10           | 10          |
| ▪ Cashiers   | 8            | 8           |
| ▪ Treasury Management                                    | 8            | 8           |
| ▪ Housing Benefits                                       | 10           | 10          |
| ▪ Fixed Assets   | 6            | 6           |
| ▪ Housing Rents  | 8            | 8           |
| ▪ Miscellaneous Income                                   | 5            | 2           |
| ▪ IFRS Healthcheck                                       | 5            | 0           |
| ▪ PAYE   | 10           | 10          |

| Planned activity  | Planned days | Actual days |
|---|--------------|-------------|
| <b>2. Operational system reviews – risk based assurance</b> |              |             |
| ▪ Legal Services  | 10           | 10          |
| ▪ Human Resources   | 15           | 15          |
| ▪ Grounds Maintenance                                       | 10           | 10          |
| ▪ Contract Audit  | 10           | 0           |
| ▪ Partnerships  | 10           | 10          |
| ▪ Citizen Engagement (Including Housing Tenants)            | 8            | 8           |
| ▪ ICT audit   | 20           | 20          |
| ▪ Home Renovation Grants                                    | 10           | 10          |
| ▪ Health and Safety   | 8            | 8           |
| ▪ Closedown reports   | 10           | 0           |

| Planned activity                                     | Planned days | Actual days |
|--|--------------|-------------|
| <b>3. Strategic – performance assurance</b>          |              |             |
| ▪ Risk management & Business Continuity Arrangements | 15           | 15          |
| ▪ Governance – management information                | 10           | 10          |
| ▪ Performance management and improvement delivery    | 10           | 0           |
| ▪ Anti fraud and corruption                          | 15           | 15          |
| TOTAL DAYS = 40                                      |              |             |

| Planned activity                              | Planned days | Actual days |
|---|--------------|-------------|
| <b>4. Other</b>                               |              |             |
| ▪ Specific follow up reviews:                 | 5            | 5           |
| ➢ Freedom of Information & Data Protection    |              |             |
| ➢ VAT   |              |             |
| ▪ General follow up                           | 10           | 14          |
| ▪ NFI   | 12           | 15          |
| ▪ Audit Management                            | 18           | 18          |
| <b>TOTAL DAYS = 52</b>                        |              |             |
| <b>Total</b>                                  | <b>334</b>   | <b>303</b>  |
| <b>Plus additional work (see table below)</b> |              | <b>10</b>   |
| <b>Outturn</b>                                |              | <b>313</b>  |





| Additional work  | Planned days | Actual days |
|--|--------------|-------------|
| <b>5. Further work undertaken at request of Management</b> <ul style="list-style-type: none"> <li>▪ Cash Collection</li> </ul> | 10           | 10          |

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

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

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# Agenda Item 12

Appendices



**NORTHAMPTON**  
BOROUGH COUNCIL

Item No.

**12A**

## Audit Committee

|                     |  |
|---------------------|--|
| <b>Report Title</b> | <b>The Audit Commission's Annual Audit Fee 2010-11</b> |
|---------------------|--|

**AGENDA STATUS:**                      **Public**

|                                    |                           |
|------------------------------------|---------------------------|
| <b>Meeting Date:</b>               | 17 <sup>th</sup> May 2010 |
| <b>Directorate:</b>                | Finance and Support       |
| <b>Accountable Cabinet Member:</b> | Councillor David Perkins  |
| <b>Ward(s)</b>                     | N/A                       |

### **1. Purpose**

---

1.1 To present the external auditor's annual fee letter for 2010/11.

### **2. Recommendations**

---

2.1 That the Audit Committee note the letter and comment as necessary.

### **3. Issues and Choices**

---

#### **3.1 Report Background**

3.1.1 The attached letter sets out the external audit fees for audit work due to be carried out for the 2010/11 financial year.



## **3.2 Issues**

3.2.1 There are no issues to report. As noted in the attached, the fees are reducing when compared to the 2009/10 fees, from £231,000 to £204,500..

## **3.3 Choices (Options)**

N/A

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

---

### **4.1 Policy**

N/A.

### **4.2 Resources and Risk**

N/A.

### **4.3 Legal**

None

### **4.4 Equality**

N/A

### **4.5 Consultees (Internal and External)**

Director of Finance and Support, Head of Finance and Assets

### **4.6 How the Proposals deliver Priority Outcomes**

N/A

### **4.7 Other Implications**

None

## **5. Background Papers**

---

5.1 Internal Audit reports.

**Gavin Chambers, Head of Finance and Assets. Ext. 7194**

**Our reference** Central/NO006/2010-11

28 April 2010

David Kennedy  
Chief Executive  
Northampton Borough Council  
The Guildhall  
St. Giles Square  
Northampton  
NN1 1DE

**Direct line** 0844 7984057  
**Mobile** 0788 0788292  
**Email** n-bellamy@audit-  
commission.gov.uk

Dear David

## **Northampton Borough Council Annual Audit Fee 2010-11**

Following our meeting on 23<sup>rd</sup> March I am writing to confirm the audit work we propose to undertake for the 2010/11 financial year at Northampton Borough Council. The fee:

- is based on the risk-based approach to audit planning as set out in the new Code of Audit Practice 2010 and work mandated by the Audit Commission for 2010/11; and
- for inspection, the Comprehensive Area Assessment (CAA) framework and associated guidance.

As I have not yet completed my audit for 2009/10 the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary.

The total indicative audit fee for the audit for 2010/11 is for £204,500 which compares to the planned fee of £231,000 for 2009/10. A summary of this is shown in the table overleaf.

## Audit fee

| Work  | Planned fee<br>2010/11 | Planned fee<br>2009/10 |
|---|------------------------|------------------------|
| Financial statements                                      | £148,300               | £147,332               |
| Use of Resources/VFM Conclusion                           | £52,500                | £80,000                |
| WGA   | £3,700                 | £3,668                 |
| <b>Total audit fee</b>                                    | <b>£204,500</b>        | <b>£231,000</b>        |
| <b>Inspection work</b>                                    | 8,320                  | 8,320                  |
| Managing performance assessment                           |                        |                        |
| Housing landlord services inspection                      |                        |                        |
| <b>Total audit &amp; inspection fee</b>                   | <b>£212,820</b>        | <b>£239,320</b>        |
| <b>Certification of claims and returns<br/>(Estimate)</b> | <b>£41,000</b>         | <b>£40,500</b>         |

The Audit Commission has published its work programme and scales of fees for 2010/11. The scale fee for the audit of Northampton Borough Council is £194,750. The published fee scale for 2010/11 includes a 6% increase to cover the costs of additional audit work arising from the introduction of International Financial Reporting Standards (IFRS). The fee proposed for Corby Borough Council for 2010/11 is 5 per cent above the scale fee and is within the normal level of variance specified by the Commission.

In July 2009, in recognition of the financial pressures that public bodies are facing in the current economic climate, the Commission confirmed that it would give a "one-off" subsidy to cover the additional cost of transition to IFRS for local authorities in 2010/11 only. You will therefore receive a refund from the Audit Commission against the above fees of **£9,455** in April 2010.

In addition to the introduction of IFRS, changes in international auditing standards will increase the audit procedures I need to carry out. However, the Audit Commission will absorb the cost of the additional requirements, with no increase in the fee proposed.

In setting the fees at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified in 2009/10 - with the exception of the inherent risk from the introduction of IFRS and the proposed housing PFI project. A separate plan for the audit of the financial statements will be issued later in the year. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Head of Financial Services and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit and governance committee.

The fee for certification of claims and returns is an estimate only and will be charged at published daily rates.

The inspection fee is based on the risk-based approach to inspection planning as set out in the Comprehensive Area Assessment (CAA) framework and associated guidance. Nigel Toms, your Audit Commission CAA Lead will write to you if any significant amendments are needed to the inspection plan and fee during the course of the year. He will first discuss this with you. The Managing Performance Assessment will be published as part of the Council's Organisational Assessment in October 2010.

My use of resources assessments will once again be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2010/11. My work on use of resources, which is already underway, informs my value for money conclusion. However, I have identified risks in relation to my value for money conclusion. For these, I have considered the arrangements put in place by the Council to mitigate the risk, and will plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below:

| Risk  | Planned work   | Timing of work |
|---|--|----------------|
| In common with all local authorities and the wider public sector, the Council will need to respond to the impact of the recession and potential changes in funding levels following the general election. | We will review the Council's financial position and financial plans during the year as part of our overall work on our value for money conclusion. | Ongoing.       |
| Proposals for a £100m housing PFI project involve significant inherent operational and financial risks and potentially complex accounting arrangements.   | We will undertake a brief risk assessment in 2010 to help inform future audit plans.   | TBA            |

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes work the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The Audit Commission's new *Codes of Audit Practice* for local government and NHS bodies were approved by Parliament on 9 March 2010, and apply to the 2010/11 audits onwards. Copies of both the new Code and the accompanying *Statements of Responsibilities of Auditors and of Audited Bodies* are available on the Commission's website.

The key members of the audit team for the 2010/11 audit are:

Audit Manager – Trevor Croote 0844 798 4064

Team Leader – Alastair Ambrose 0844 798 4094

I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact the East Midlands Head of Operations, Alison Rigg ([a-rigg@audit-commission.gov.uk](mailto:a-rigg@audit-commission.gov.uk)).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Neil Bellamy', with a long horizontal stroke extending to the right and a vertical line dropping down from the end.

Neil Bellamy  
*District Auditor*

**cc** Isabell Procter, Director of Finance & Support  
Gavin Chamber, Head of Finance & Assets  
Cllr Anthony Woods, Chair of Audit Committee

## Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the audit committee.

---

**Table 1**

| <b>Planned output</b>  | <b>Indicative date</b> |
|--|------------------------|
| Certification of claims and returns 2009/10  | February 2011          |
| Financial Statements Audit Plan (Supplementary fees letter)                                    | April/May 2011         |
| Annual governance report   | September 2011         |
| Auditor's report giving the opinion on the financial statements and value for money conclusion | September 2011         |
| Use of resources report  | September 2011         |
| Final accounts report  | October 2011           |
| Annual audit letter  | December 2011          |



## Audit Committee

|                     |   |
|---------------------|---|
| <b>Report Title</b> | <b>The Audit Commission's Progress Report</b> |
|---------------------|---|

**AGENDA STATUS:**

**Public**

|                                    |                           |
|------------------------------------|---------------------------|
| <b>Meeting Date:</b>               | 17 <sup>th</sup> May 2010 |
| <b>Directorate:</b>                | Finance and Support       |
| <b>Accountable Cabinet Member:</b> | Councillor David Perkins  |
| <b>Ward(s)</b>                     | N/A                       |

### 1. Purpose

---

- 1.1 To present the external auditor's progress report.

### 2. Recommendations

---

- 2.1 That the Audit Committee note the progress report.

### 3. Issues and Choices

---

#### 3.1 Report Background

- 3.1.1 The attached report sets out the Audit Commission's progress against the audit work included in the 2009/10 and 2010/11 external audit plans.

### **3.2 Issues**

3.2.1 There are no issues to report at this early stage in the audit plan. The majority of items are either in progress or not yet started, as noted in table 1 of the report.

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

N/A

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

---

### **4.1 Policy**

N/A.

### **4.2 Resources and Risk**

N/A.

### **4.3 Legal**

None

### **4.4 Equality**

N/A

### **4.5 Consultees (Internal and External)**

Director of Finance and Support, Head of Finance and Assets

### **4.6 How the Proposals deliver Priority Outcomes**

N/A

### **4.7 Other Implications**

None

## **5. Background Papers**

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5.1 Internal Audit reports.

**Gavin Chambers, Head of Finance and Assets. Ext. 7194**



# Progress Report

**April 2010**

Northampton Borough Council

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## 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.
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# Introduction

- 1 This report sets out progress against the audit work included in our 2009/10 and 2010/11 audit plans. In carrying out our audit duties, we have to comply with the statutory requirements governing them, including the Audit Commission Act 1998 and the Code of Audit Practice (the Code).
- 2 The Code defines auditors' responsibilities in relation to:
  - the annual financial statements; and
  - the authority's arrangements for securing economy, efficiency and effectiveness in the use of its resources.
- 3 Our plans are subject to continuous review and refinement to take account of emerging risks, additional work specified by the Audit Commission or other regulators and changes in statutory or professional requirements.

# Performance against plan

- 4 The tables below show the current position on the main areas of our work for 2009/10 and 2010/11. Changes since our last report are shown in *italics*.

**Table 1 2009/10 work**

| Area of work   | Target completion date | Current position  |
|--|------------------------|---|
| Audit Plan (fee letter)  | -                      | Complete.<br>Fee letter issued 8th June 2009.   |
| Joint working protocol - Internal Audit                            | -                      | Issued 16th July 2009 - awaiting comments from Internal Audit (PwC).  |
| Joint working protocol - Financial Statement                       | -                      | <i>Complete.</i><br><i>Issued 20th April 2010</i>   |
| Opinion Audit Plan   | March 2010             | <i>In Progress.</i>   |
| Annual Governance Report (including Use of Resources Judgements)   | September 2010         | <i>In Progress.</i><br><i>Use of Resources fieldwork is substantially complete, subject to quality assurance procedures and completion of the final accounts audit.</i><br><i>Findings indicate a positive direction of travel.</i> |
| Opinion on the financial statements and value for money conclusion | September 2010         | <i>In Progress.</i><br><i>Interim audit commenced March 2010. No significant issues arising so far.</i><br><i>Final accounts audit due to commence 26th July 2010.</i>  |
| Final Accounts Report  | October 2010           | Not yet started.  |
| Annual Audit Letter  | November 2010          | Not yet started.  |
| Certification of grant claims and returns: summary report.         | January 2011           | Not yet started.  |

## Performance against plan

**Table 2 2010/11 work**

| <b>Area of work</b>  | <b>Target completion date</b> | <b>Current position</b>                                |
|--|-------------------------------|--|
| Audit Plan (fee letter)  | April 2010                    | <i>Complete.<br/>Fee letter issued 28th April 2010</i> |
| Organisational Assessment  | October 2010                  | Not yet started.                                       |
| Inspection of Housing Landlord Services                            | TBA                           | Not yet started.                                       |
| Opinion Audit Plan   | April/May 2011                | Not yet started.                                       |
| Annual Governance Report   | September 2011                | Not yet started.                                       |
| Opinion on the financial statements and value for money conclusion | September 2011                | Not yet started.                                       |
| Final Accounts Report  | October 2011                  | Not yet started.                                       |
| Annual Audit Letter  | November 2011                 | Not yet started.                                       |
| Certification of grant claims and returns: summary report.         | January 2012                  | Not yet started.                                       |

# 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.

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## 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.

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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](http://www.audit-commission.gov.uk)

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# Appendix 1 – Reports issued

- 5 The following local audit reports have been issued since our last progress report to the Audit Committee (11th January 2010):
- Joint Working Protocol - Financial Statements 2009/10
  - Audit Plan (fee letter) 2010/11
- 6 The following national Audit Commission local government reports have been published since our last progress report to the Audit Committee. All reports have been published on the Audit Commission's web site [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).
- The truth is out there. A discussion paper on how the public sector can improve information made available to the public.
  - Under pressure. Tackling the financial challenge for councils of an ageing population.
  - Oneplace national overview report. Findings from the first year of Comprehensive Area Assessment (CAA).
  - By mutual agreement. Severance payments to council chief executives.
  - Countdown to IFRS - Identifying and accounting for leases.
  - Countdown to IFRS - Checklist for members
  - Code of Audit Practice - Local Government 2010
  - Statement of responsibilities - Local Government 2010
  - Surviving the crunch: Local finances in the recession and beyond
  - National Fraud Initiative 2010/11 work programme and scale of fees
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