

**NORTHAMPTON BOROUGH COUNCIL
AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the
The Jeffrey Room, St. Giles Square, Northampton, NN1 1DE.

on Monday, 21 March 2011
at 6:00 pm.

**D Kennedy
Chief Executive**

AGENDA

1. APOLOGIES

Please contact Michelle Allan on 01604 837355 or
mallan@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. RISK MANAGEMENT UPDATE - STRATEGIC RISK
REGISTER**

**S Morrell
Ext 8420**

(Copy herewith)

**7. IFRS AND PROPOSED CHANGES TO THE ACCOUNTS
AND AUDIT REGULATIONS 2003**

**R Smith
Ext 8046**

(Copy herewith)

8. GIFTS AND HOSPITALITY

**F McGown
Ext 7101**

(Copy herewith)

9. EXTERNAL AUDIT UPDATE

**N Bellamy,
External
Auditor
(Audit
Commission)**

(Copy herewith)

**10. INTERNAL AUDIT UPDATE REPORT AND DRAFT
INTERNAL 2011/12 OPERATION AUDIT PLAN**

(Copy herewith)

**C Dickens,
Internal
Auditor
(PWC)**

11. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

“THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT.”

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.

SUPPLEMENTARY AGENDA

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

- 12. SPECIAL REVIEW - PROTECTION OF THE MUSEUMS
COLLECTION: ACTIONS UPDATE** **W Brown
Ext 7277**

(Copy herewith)

Public Participation

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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 1



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Risk Management Update – Strategic Risk Register
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AGENDA STATUS: PUBLIC

Meeting Date:	21 st March 2011
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr David Perkins

1. Purpose

1.1 To enable the Committee to review the updated Strategic Risk Register.

2. Recommendations

2.1 To note the Strategic Risk Register and suggest any amendments.

3. Issues and Choices

3.1 Report Background

3.1.1 At the meeting on 8th November, Audit Committee requested that the Strategic Risk Register be submitted for review once Management Board had approved the Register.

3.2 Issues

3.2.1 Over recent months Management Board has undertaken a significant refresh of the Strategic Risk Register. The aim was to create 5 or 6 new risks that are true Strategic Risks.

3.2.2 The following definition was adopted by Management Board and used to assist in the identification and classification of strategic risks, 'strategic risks are those risks concerned with ensuring overall business success, vitality and viability'.

3.2.3 Each of the old strategic risks were measured against the above definition. Those that were not deemed to fit with the definition were allocated to the Service Area best placed to manage the risk from a Corporate perspective.

3.2.4 Please refer to Appendix A for a copy of the new Strategic Risk Register.

- 3.2.5 Each of the new strategic risks have been assigned a Risk Lead, however the ownership of each of the risks remains with the Chief Executive.
- 3.2.6 For each of the risks a series of mitigating actions have been identified. Each action has a designated Action Owner.
- 3.2.7 The register is reviewed by Management Board Quarterly.
- 3.2.8 The following table summarises the Council's Risk Hierarchy and illustrates where strategic risks sit in relation to other levels of Council risk.

Level of Risk	Description	Responsibility	Minimum Review Frequency
Strategic	Risks concerned with ensuring overall business success, vitality and viability.	Management Board.	Quarterly.
Corporate	High-level risks owned by a particular service area but with crosscutting implications.	Head of Service.	Monthly at DMTs. Twice a year by Management Board.
Service	Risks relating to achieving service objectives.	Head of Service.	Monthly at DMTs.
Programme Project Partnership	Risks relating to the delivery of a specific programme, project or partnership.	Project, Programme or Partnership Lead.	Monthly.
Operational	Day to day risks associated with operational service activities.	Service Manager.	Monthly.

3.3 Choices (Options)

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

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 None.

4.2 Resources and Risk

- 4.2.1 This report supports the Council's Risk Management Strategy.

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 Head of Finance has been asked to comment on this report. Management Board has approved the new Strategic Risk Register.

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

Appendix A - Strategic Risk Register – please print on A3 paper.

Sue Morrell
Corporate Risk and Business Continuity Manager, ext 8420

Strategic Risk Register

ID	Risk Owner	Risk Lead	The Risk (there is a risk that)	Risk Cause (as a result of)	Risk Impact (which may result in)	Inherent Risk Scores (assume no controls)		Mitigation Actions and Controls		Actual Risk Scores (current position)		Residual Risk Scores (after mitigating actions and controls)		Action Due Date	Progress Update and Estimated Completion Date	Date Action Completed		
						Impact (1-5)	Probability (1-5)	Score (I x P)	Impact (1-5)	Probability (1-5)	Score (I x P)	Impact (1-5)	Probability (1-5)				Score (I x P)	
SR1	David Kennedy	Isabell Procter	Failure to deliver a balanced and deliverable budget.	Council unable to deliver sufficient savings to balance budget.	Inability to set a legal budget. Savings options being implemented which are not thoroughly thought through or will have significant impact on services and people of Northampton.	5	4	20	Apply reserves to balance the budget. Bring forward plans for following financial year with aim of implementation six months into financial year.	5	2	10	3	2	6	31st March 2011	A balanced 3 year budget was presented to Full Council and approved on 28/02/11.	
SR2	David Kennedy	Cara Boden	The organisation fails to deliver its responsibilities.	Service delivery failure. Effectiveness and capacity of Senior Management.	Financial implications. Sustainability of organisation. Reputational impact.	5	4	20	1.Strong programme management and governance. 2.Effective corporate performance monitoring. 3.Appropriate constitutional governance. 4.Effective leadership capacity - recruitment and retention of appropriately skilled and capable Senior Management. 5.Effective financial management. 6.Strong external communications plan.	5	3	15	5	2	10	1b.Summer 11/12. 2.Ongoing 3.14/03/11. 5.Ongoing 6.Ongoing	1a.Programme management and governance protocols rolled out across the organisation. These need reviewing once the change plan is updated and further developed. 1b.Further training planned for the organisation to embed the practices. 2.Effective corporate performance monitoring is in place. 3.New Constitution due to be approved 14/03/11. 4.A review of Senior Management has been instituted to consider the right senior management arrangements and capacity for the next stage of the Council's improvement journey. This is at informal consultation stage and will be moving to formal consultation in due course. 5.Arrangements are in place. The effectiveness of the financial management processes is tested by both internal and external audit. 6-A fully developed external communications plan is in place and will be updated as and when required.	1a. August 2010.
SR3	David Kennedy	Lesley Wearing	The plans for improving Northampton are not delivered.	Changes in Government strategies and legislation. Disengagement by partners. Impact of current economic climate. Loss/reduction of Government funding. Housing Strategy not delivered. Housing Asset Management and Delivery Strategy not delivered. Loss/reduction of Government funding for Community Safety, also partner organisations. Investment in town centre attracted elsewhere due to policy departures.	Damage to Council's reputation. Resources diverted elsewhere. Loss of skills and expertise. Decent homes standard not met. People living in inadequate and unsuitable accommodation. Housing stock becomes more expensive to maintain. Crime and offending increases. Regeneration sites remain undeveloped, the town's reputation as an investment location reduces.	4	4	16	Performance management and monitoring in place. Leadership team and capacity in place. 1.Strong implementation plan and programme in place to deliver Housing Strategies. 2.Review of the Community Safety Strategy underway - aims to identify, develop and implement initiatives to reduce crime and disorder in the town. 3.Sound planning policies in place, robust project management and strong partnership working to lever in available funds.	4	3	12	4	2	8	2.01/04/11	1. Decent Homes Backlog bid submitted and successful. This has secured £49m for Decent Homes although funding in years 3 and 4 are subject to review. This will be sufficient to deal with all non-decency up to 2012 and the HRA reforms are intended to resource the Council to deal with non-decency after 2012. HRA Business Planning process underway to verify this and to identify need and resources available to the HRA. This will be completed by the end of 2012 as all figures issued by CLG are subject to confirmation. 2.Draft for approval at March Community Safety Partnership Board. 3.On target to put a sound planning policy framework in place in accordance with the LDS timetable.	
SR4	David Kennedy	Francis Fernandes	Failure of governance procedures and processes to facilitate the direct desired outcomes.	Lack of clear documented governance procedures, understanding and application.	Financial implications. Legal action. Reputational impact.	5	4	20	Gap analysis of strategic governance procedures processes and understanding, together with a review of key governance documents, for example, the Constitution.	5	3	15	5	2	10	Francis Fernandes	Gap analysis to commence after new Constitution is approved - Commence May 2011.	

Strategic Risk Register

ID	Risk Owner	Risk Lead	The Risk (there is a risk that)	Risk Cause (as a result of)	Risk Impact (which may result in)	Inherent Risk Scores (assume no controls)		Mitigation Actions and Controls		Actual Risk Scores (current position)		Residual Risk Scores (after mitigating actions and controls)		Action Due Date	Progress Update and Estimated Completion Date	Date Action Completed		
						Impact (1-5)	Probability (1-5)	Score (I x P)	Impact (1-5)	Probability (1-5)	Score (I x P)	Impact (1-5)	Probability (1-5)				Score (I x P)	
SR5	David Kennedy	Cara Boden	The Council fails to exceed its goals and aims and make the best use of resources (assets, people, technology).	Non-delivery of key Strategic Business Reviews. Holding non-performing assets and assets that are not in line with our Asset and Capital Strategies. Not developing our use of technology and new ways of working.	Reduced efficiency and productivity. Failure to achieve and exceed desired aims and goals. Additional costs to the Council for holding assets that are not in line with the Council's Strategies. Damage to the Council's reputation. Failure to improve accessibility to services. Flexibility of working not delivered.	5	3	15	<p>1.Undertaken a strategic review on the ownership and purpose of retaining assets. Cabinet Report due outlining the findings on retain or sell. Asset Management Strategy in place, linked to Capital Management Strategy. Corporate Asset Board in place. 2.The Council recognises people as our most valuable asset. Strategic Review undertaken on new ways of working to ensure maximum efficiency. People Strategy in place. Continue to develop staff in new ways of working. Linked to better use of technology and working in partnership with other agencies. 3.Projects supporting effective use of assets include - IP telephony, Hot Desking, Virtual Contact Centre, Redevelopment of the One Stop Shop, Chanel Shift, Work Flow Management.</p>	5	2	10	5	1	5	<p>1.Strategic review on the ownership and purpose of retaining assets completed in 2010. Cabinet Report July 2010 approved the findings and four tranches of property disposals approved by Cabinet in 2010/11. Further disposals to be completed in 2011/12. Corporate Asset Management Strategy 2010 -2013 adopted and linked to Capital Management Strategy. Corporate Asset Board in place and meeting regularly. 2. New Ways of working and culture change programme to this moving forward. Review of People Plan 11/12. 3. The redevelopment of the OSS is currently on schedule - April 2011. Customers will have assisted self-service. The IP Telephony Project roll-out is on track - June 2011. The virtual contact centre project is on track and will be completed by June 2011. A channel shift strategy has been developed and adopted, channel shift promotion is taking place between March and July 2011. All council tax bills have been published with log-on details for payers to register for electronic billing. EDRMs and CRM (New Ways of Working projects) are scheduled for PIG in March 2011.</p>	2.31/03/12	

Agenda Item 7



AUDIT COMMITTEE REPORT

Report Title	IFRS and Proposed Changes to the Accounts and Audit Regulations 2003
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	21 March 2011
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr David Perkins

1. Purpose

1.1 To explain to Audit Committee some of the changes arising from:

- International Financial Reporting Standards (IFRS)
- Proposed amendments to the Accounts and Audit Regulations 2003

1.2 To explain that the Statement of Accounts will no longer be approved by Audit Committee prior to the Accounts being presented to External Audit for auditing; the Council must now endeavour to get approval of Committee by 30th September.

2. Recommendations

2.1 Audit Committee notes the contents of this report.

2.2 Audit Committee specifically notes that the Statement of Accounts will no longer be brought to Committee prior to 30th June ands the commencement of the year end audit.

3. Issues and Choices

3.1 Report Background

3.1.1 The Government has been moving the public sector towards the implementation of IFRS since 2008 with a timetable that saw central

Government and the NHS moving to IFRS last financial year and local Government this year.

3.1.2 The presentation of the Statements is considerably different under IFRS and there are significant changes in accounting treatment in some aspects, while others remain virtually the same as before.

3.1.3 In addition, the Government has recently closed a consultation on amendments to the Accounts and Audit Regulations 2003 which include mainly governance and reporting changes, but also clarify a number of technical points. The new regulations are to take effect before the end of March 2011 so will apply to the Statement of Accounts for 2010/11.

3.2 Issues

3.2.1 The Core Statements will change from the previous ones as follows.

Previously Under SORP	In Future Under IFRS
Income and Expenditure Account	Movement in Reserves Statement (MIRS)
Statement of Movement on General Fund Balance	Comprehensive Income and Expenditure Statement
Reconciling Items for the Statement of Movement on General Fund Balance	Balance Sheet
Statement of Total Recognised Gains and Losses (STRGL)	Cash Flow Statement
Balance Sheet	
Cash Flow Statement	

3.2.2 The format of each statement has also changed in line with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, and the 2009/10 Statement of Accounts has had to be restated in accordance with the new regulations.

3.2.3 The restated 2009/10 Accounts are being audited from week commencing 14 March 2011 by the Audit Commission.

3.2.4 There are a number of areas where key changes have taken place as a result of the move to the new Code and IFRS.

3.2.5 **Leasing** – There has been a change in the criteria for how leases (both where the Council is a lessee and a lessor) are assessed as either operating leases (revenue) or finance leases (capital). Also, that on property leases the land and buildings must be split and separately assessed. Together these changes have altered the status on a small proportion of the Council's leases along with the related accounting treatment.

3.2.6 **Investment Property** – Rules on investment property have changed so that the emphasis is more on investment than property. As such there has been a change in the valuation requirements of investment property so that these are no longer charged to the revaluation reserve, but instead pass through the

Comprehensive Income and Expenditure Statement to the Capital Adjustment Account.

- 3.2.7 **Assets Held for Sale** – Assets meeting specific criteria are now held as non current assets held for sale, which are recoded separately on the balance sheet from other fixed assets. The criteria include being immediately available for sale in its present condition, sale being highly probable with completion expected within 12 months of the year end, the asset being actively marketed at a reasonable sale price.
- 3.2.8 **Other Fixed Assets** (Now called Property, Plant and Equipment) – Previously impairment due to consumption of economic benefits could not be charged to the revaluation reserve to net against revaluation gain balances. Under IFRS netting off against any existing credit balances in the revaluation reserve is the required treatment for impairment before looking to charge these to the Income and expenditure account.
- 3.2.9 The second area in relation to property, plant and equipment is component accounting. From 1 April 2010 the authority is required to account for the significant components of these assets so that depreciation reflects the component life rather than the overall asset life. The Council has adopted an accounting policy in relation to component accounting that aims to minimise the impacts of this change in requirements.
- 3.2.10 **Employee benefits accrual** – The Code requires Councils to account for the amount of outstanding annual leave, flexi time and Time of in Lieu (TOIL) outstanding at 31 March each year. Finance has been working with Human Resources to collect this information. The financial value of the untaken leave has to be accrued back into the year it was built up in, creating an Accumulated Absences Account.
- 3.2.11 **Government Grants** – Accounting in this area has become more complex under IFRS, with authorities now needing to have regard to conditions attached to grants. Where grants have no conditions attached, these are passed through the income and expenditure account on receipt, whereas grants with conditions outstanding that have not been met are received into the balance sheet and passed through the income and expenditure account as soon as the conditions have been met. This means that there will be no more amortised grants to match off against depreciation.
- 3.2.12 **Group accounts** – New regulations apply in relation to group accounts. For most entities the criteria now include having the power to control it (either financially or voting power) rather than actually controlling it. There are specific rules relating to special purpose entities which also look at risk and rewards, autopilot (if the agreement is set up in such a way that the special purpose entity is too restricted in how it can operate), etc.
- 3.2.13 In addition to the changes under IFRS the Government is planning to update the Accounts and Audit Regulations 2003, with the amendments taking effect from the 31 March 2011, so these will be applicable to the 2010/11 Statement of Accounts.

- 3.2.14 In addition to various minor alterations, the main change proposed in the Accounts and Audit Regulations is in the approval process. Going forward the Chief Finance Officer and not members will be required to sign off the accounts as for audit. The Chief Finance Officer will sign by 30 June each year that the draft accounts present a true and fair view. The Chief Finance Officer will re-sign it following the audit and prior to it being brought before the whole body or appropriate committee for approval.
- 3.2.15 The authority must also make best endeavours to have a committee or the body meeting as a whole to consider and approve the Statement of Accounts, the chair of the approving committee sign and date the Statement of Accounts, and publish the accounts together with 'any certificate, opinion, or report issued, given or made by the auditor under section 9 of the 1998 Act' (including on the Council's website) by 30 September each year.
- 3.2.16 This change relates in part to the additional requirements under IFRS and gives Council Finance Teams more time to prepare the additional detail and disclosures required. At the same time it allows members to sign off the final audited version of the accounts rather than an interim document that may require changes.
- 3.2.17 Under the consultation, the Statement of Accounts is accompanied by the Statement of Internal Control at each stage of the approval process, but is not a part of the Statement of Accounts itself.
- 3.2.18 Regulation 22 of the current Accounts and Audit Regulations declares contravention of all or part of 13 of the regulations to be a criminal offence. This has been removed in the proposed new regulations.

3.3 Choices (Options)

- 3.3.1 Members are invited to note the report.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 Changes to accounting policies will be made in order to comply with International Financial Reporting Standards and the IFRS Code.

4.2 Resources and Risk

- 4.2.1 Some of the changes under IFRS will impact on the Council's charges and balances, in particular those relating to leasing.
- 4.2.2 The changes will also impact on whether certain expenditure can be treated as capital. For example where the Council is a lessor on a property that must be designated as a Finance lease under IFRS, subsequent expenditure will be revenue as the asset is not within the assets on the Council's balance sheet. Similarly the principal element of the leasing income would be a capital receipt (subject to the Council's de minimis levels).

- 4.2.3 Until we have fully been through the transition to IFRS, it is difficult to see exactly where and to what degree these changes will impact with certainty, although the restatement indicates a small negative impact on general fund balances mainly relating to leasing and property plant and equipment.
- 4.2.4 IFRS implementation involves a higher volume of disclosures and additional supporting detail in back up than the SORP required. This means that the Finance Team is going to be more challenged to meet these requirements and timescales going forward.
- 4.2.5 There is a risk that no matter how much we have done and do to get the IFRS conversion correct our external auditors may have counter interpretations which will cause the audit process to be less efficient and with potential for requests for higher fees or adverse audit opinion. Finance is doing what it can to minimise this risk.

4.3 Legal

- 4.3.1 Regulation 22 of the current Accounts and Audit Regulations declares contravention of all or part of 13 of the regulations to be a criminal offence. This has been removed in the proposed new regulations.

4.4 Equality

- 4.4.1 None

4.5 Consultees (Internal and External)

- 4.5.1 The Council has worked with accountants from other local authorities in Northamptonshire and Bedfordshire through CAN (Chief Accountants Network) to discuss issues and approaches to treatment of various areas under IFRS.

4.6 Other Implications

- 4.6.1 None.

5. Background Papers

- 5.1 Code of Practice for Local Authority Accounting in the UK 2010/11
- 5.2 Code of Practice for Local Authority Accounting in the UK 2010/11 Guidance
- 5.3 Service Accounting Code of Practice 2010/11
- 5.4 LAAP 80 (March 2009) – Implementation of IFRS – Draft Project Plan
- 5.5 LAAP 86 (June 2010) – Component Accounting
- 5.6 Revision and consolidation of the Accounts and Audit Regulations 2003 (SI 2003 No 533) as amended: Consultation, January 2011

Report Author: Rebecca Smith, Assistant Head of Finance 01604 838046

Appendices 1



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	OFFICERS REGISTER OF GIFTS AND HOSPITALITY
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 21 March 2011

Policy Document: No

Directorate: Chief Executive's

Accountable Cabinet Member: Councillor Perkins

1. Purpose

1.1 To review the operation of the Register of Officers Gifts and Hospitality.

2. Recommendations

2.1 That the report be noted.

3. Issues and Choices

3.1 Report Background

3.1.1 In June 2010 Management Board approved an Employee's Code of Conduct (see Appendix) which set out core ethical values which apply to all employees, set up a Register of Officer Interests that applies to Heads of Service or above, and set up a Register of Officers Gifts and Hospitality that applies to all employees. This report concentrates upon the Register of Officers Gifts and Hospitality.

3.1.2 The Borough Solicitor wrote to the Chief Executive, Directors and Heads of Service in June 2010 informing them of Management Board's decision and enclosing a copy of the Code of Conduct and copies of the registration forms for declaring interests and gifts and hospitality. Initial returns for both registers were required by 12 July 2010 and then to be updated as appropriate. Heads

of Service were required to bring the Code of Conduct and the requirements for gifts and hospitality to the attention of employees.

3.1.3 Although the Monitoring Officer is responsible for the Council's ethical framework the Registers for Heads of Service and above are physically held by the Democratic Services Manager as already holding the equivalent Members Registers. Heads of Service were required to create and maintain registers of Gifts and Hospitality for the staff under their control.

3.1.4 All gifts and hospitality in excess of £25 need to be registered. The registration requires the giver to be identified, the value of the gift or hospitality (or simply state "in excess of £25" if the value is not known) as well as the recipient's understanding of why or how the gift or hospitality has come about.

3.1.5 In relation to Heads of Service and above, and since 11 June 2010, the date of the Borough Solicitor's memorandum, there have been six registrations of gifts and hospitality; one gift and five incidences of hospitality. These come from Housing (4), and Chief Executive's (2), there being no registrations from Environment and Culture, Finance and Support or Planning and Regeneration. All six registrations come from Directors.

3.1.6 The one gift was a donation to a charity nominated by the recipient. The five incidences of hospitality related to meals at conferences or business leaders lunches.

3.2 Issues

3.2.1 This report does not include an assessment of the registers that the Borough Solicitor required Directorates to keep for staff of below Head of Service level.

3.2.2 It is important that all employees are periodically reminded of the need to register the receipt of any gifts and hospitality.

3.3 Choices (Options)

3.3.1

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Policy is contained in the Employee Code of Conduct.

4.2 Resources and Risk

4.2.1 There are no financial implications arising from this report.

4.3 Legal

4.3.1 The code of conduct is in accordance with various acts and provisions concerning the conduct of Council employees.

4.4 Equality

4.4.1 The Code of Conduct applies to all employees.

4.5 Consultees (Internal and External)

4.5.1 Borough Solicitor

4.6 Other Implications

4.6.1 N/a

5. Background Papers

5.1 Officer Gifts and Hospitality registration sheets.

Report Author: F. McGown, Democratic Services Manager
X7101 or fmcgown@northampton.gov.uk



NORTHAMPTON
BOROUGH COUNCIL

EMPLOYEES' CODE OF CONDUCT

June 2010

(Consolidates Council's 1995 Official Conduct Policy)

EMPLOYEES' CODE OF CONDUCT

This Employees' Code of Conduct (the 'Code') sets out the standards that the Council expects of its employees. It aims to provide employees with an effective ethical framework in which to work and to give the citizens of the Borough of Northampton confidence that the Council's staff is working on their behalf in an appropriate manner.

Part 1

CORE VALUES

The following core values in Part 1 of this Code will apply to all employees of the Council.

General principles

The public are entitled to expect the highest standards of conduct from all Council employees. Council employees must perform their duties to the best of their abilities with integrity, honesty, impartiality and objectivity and contribute to the maintenance of high standards in public service. Employees must at all times act in accordance with the trust that the public is entitled to place in them.

Honesty and Integrity

Council employees must declare any private interests relating to their duties as an employee of the Council and take all steps to resolve any conflicts arising in a way that protects the public interest.

Council employees should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Council employees must not use their position improperly to confer on or secure for themselves or any other person an advantage or disadvantage.

In all cases it is not enough to avoid actual impropriety. Council employees should at all times do their utmost to avoid any occasion for suspicion and any appearance of improper conduct which would bring the reputation of the Council into disrepute.

Accountability

Employees work for the Council and serve the whole of the authority. They are accountable to and owe a duty to the Council. Employees must act in accordance with the principles set out in this Code, recognising the duty of all public sector employees to discharge public functions reasonably and according to the law.

Political neutrality

Council employees, whether or not politically restricted, must follow every lawfully expressed policy of the authority and must not allow their own personal or political opinions to interfere with their work.

Employees serve the authority as a whole. It follows that they must serve all members and not just those of the controlling group, and must ensure the individual rights of all members are respected.

Where employees are politically restricted, by reason of the post they hold or the nature of the work they do, they must comply with any statutory restrictions on political activities.

Political assistants appointed on fixed term contracts in accordance with the Local Government and Housing Act 1989, although politically restricted, do by the nature of their posts support only one group of the Council's members. Therefore, a strict duty of political neutrality cannot be practically applied to political assistants given the nature of the role.

Respect

Mutual respect between Council employees and members is essential to good local government and working relationships should be kept on a professional basis.

Employees should deal with the public, members and other employees sympathetically, efficiently and without bias.

Employees should always remember their responsibilities to the community they serve and ensure courteous, efficient and impartial service delivery to all groups and individuals within that community as defined by the policies of the Council.

Equality

Council employees must comply with all policies relating to equality issues, as agreed by the Council, in addition to the requirements of the law.

All members of the local community, customers and other employees have a right to be treated with fairness and equity.

Stewardship

Council employees must ensure that they use public funds entrusted to them in a responsible and lawful manner. They should strive to ensure value for money to the local community and to avoid legal challenge to the Council. Employees must not utilise property, vehicles or other facilities of the authority for personal use unless authorised to do so.

Personal interests

Council employees must not allow their private interests or beliefs to conflict with their professional duty. They must not misuse their official position or information acquired in

the course of their employment to further their private interest or the interests of others.

Section 117 of the Local Government Act 1972 requires employees to make a formal declaration about contracts with the Council in which they have a pecuniary (financial) interest. It is a criminal offence to fail to comply with the provision.

Employees must not make official professional decisions about matters in which they have personal involvement.

Employees must also declare to an appropriate manager any non-financial interests that they consider could bring about conflict with the Council's interests.

Therefore, employees who currently have or who have previously had a relationship in a business, private or domestic capacity with external contractors or potential contractors should declare that relationship to the appropriate manager.

Employees should abide by the rules of the Council regarding the declaration of gifts offered to or received by them from any person or body seeking to do business with the authority or which would benefit from a relationship with the Council. In particular, employees should be aware of the need to make appropriate entries in the Council's Officers' Register of Gifts and Hospitality (which is at Schedule 1 as 'Form OGH').

Employees should declare to an appropriate manager membership of any organisation not open to the public without formal membership and commitment of allegiance, and which has secrecy about rules of membership or conduct.

Whistleblowing

Where an employee becomes aware of activities which that employee believes to be illegal, improper, unethical or otherwise inconsistent with this Code, the employee should report the matter, acting in accordance with the employee's rights under the Public Interest Disclosure Act 1998 and with the Council's Confidential Reporting Procedure (whistleblowing) which can be found on the intranet.

Treatment of Information

Openness in the distribution of information and decision-making is the norm in the way the Council functions. However, certain information may be confidential or sensitive and therefore not appropriate to a wide audience. Where confidentiality is necessary to protect the privacy or other rights of individuals or bodies, information should not be released to anyone other than a member, relevant Council employee or other person who is entitled to receive it, or needs to have access to it for the proper discharge of their functions. Nothing in this Code can be taken as overriding existing statutory or common law obligations to keep certain information confidential, or to divulge certain information.

Employees should not use any information obtained in the course of their employment for personal gain or benefit, nor should they pass it on to others who might use it in such a way. Any particular information received by an employee from a member which is personal to that member and does not belong to the Council should not be divulged by the employee without the prior approval of that member, except where such disclosure is required or sanctioned by the law.

Appointment of staff and other employment matters

Employees of the Council, when involved in the recruitment and appointment of staff, must ensure that appointments are made on the basis of merit. In order to avoid any accusation of bias, those employees must not be involved in any appointment, or any other decision relating to discipline, promotion or pay and conditions for any other employee, or prospective employee, to whom they are related or with whom they have a close personal relationship outside work.

Similarly, employees should not be involved in decisions relating to discipline, promotion or pay adjustments for any other employee to whom they are related or with whom they have a close personal relationship outside work.

Investigations by the Monitoring Officer

Where the monitoring officer is undertaking an investigation in accordance with Part III of the Local Government Act 2000 and associated regulations, employees must comply with any requirement made by that monitoring officer in connection with such an investigation.

Patentable Designs and Inventions

Any Council employee who proposes to take out a patent for an invention shall, after obtaining provisional protection, send particulars thereof to the Chief Executive for submission to the appropriate Committee of the Council before taking any further steps.

Where the appropriate Committee is of the opinion that the invention is connected with the official work performed at any time by the employee or service concerned, permission to take out a patent will, if granted, be subject to such conditions as to its use as may be imposed. These conditions shall include the right of the Council to use the patent for all time without the payment of any fees or royalties whatsoever, but may provide for the payment of a grant, honorarium, or other monetary reward to the employee concerned.

Where, on the other hand, the Committee is of the opinion that the invention is in no way connected with the official work performed at any time by the employee concerned, no permission on the part of the Council will be necessary.

It is not desirable that patents should be taken out by employees of the Council whose duty it is to devise improvements or to examine and report upon the suggestions of others.

Secondary Employment

Employees may not without the written permission of the Chief Executive engage in any business or paid or unpaid employment other than that for which they are employed by the Council. Permission is generally given unless such business or paid employment conflicts with or reacts detrimentally to the Council's interests or in any way weakens public confidence in the conduct of the Council's business.

Corruption

Employees must be aware that it is a serious criminal offence for them corruptly to receive or give any gift, loan, fee, reward or advantage for doing, or not doing, anything or showing

favour, or disfavour, to any person in their official capacity. If an allegation is made it is for the employee to demonstrate that any such rewards have not been corruptly obtained.

Separation of Roles During Tendering

Employees involved in the tendering process and dealing with contractors should be clear on the separation of client and contractor roles within the Council. Senior employees who have both a client and contractor responsibility must be aware of the need for accountability and openness.

Employees in contractor or client units must exercise fairness and impartiality when dealing with all customers, suppliers, other contractors and sub-contractors.

Employees who are privy to confidential information on tenders or costs for either internal or external contractors should not disclose that information to any unauthorised party or organisation.

Employees contemplating a management buyout should, as soon as they have formed a definite intent, inform the appropriate manager and withdraw from the contract awarding processes.

Orders and contracts must be awarded on merit by fair competition against other tenders. Employees should ensure that no special favour is shown to current or recent former employees or their partners, close relatives or associates in awarding contracts to business run by them or employing them in a senior or relevant managerial capacity.

Sponsorship – Giving and Receiving

Where an outside organisation wishes to sponsor or is seeking to sponsor a local government activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts or hospitality apply. Particular care must be taken when dealing with contractors or potential contractors.

Where the Council wishes to sponsor an event or service neither an employee nor any partner, spouse or relative must benefit from such sponsorship in a direct way without there being full disclosure to an appropriate manager of any such interest. Similarly, where the authority through sponsorship, grant aid, financial or other means, gives support in the community, employees should ensure that impartial advice is given and that there is no conflict of interest involved.

Part 2

SENIOR EMPLOYEES

This Part 2 of the Code applies only to senior employees of the Council. For the purposes of this Code, a 'senior employee' is any employee of who is at head of service level or above.

Any employee who is uncertain as to whether they are a "senior employee" for the purposes of this Code must consult the Monitoring Officer.

Senior employees of the Council must complete and maintain the Register of Officer Interests, which is at Schedule 2 ('Form ROI'). The purpose of compiling this register is to give assurance that the qualifying employee is acting transparently and to prevent accusations of partiality in decision-making by the employee concerned.



NORTHAMPTON
BOROUGH COUNCIL

SCHEDULE 1

**OFFICERS' REGISTER OF GIFTS AND
HOSPITALITY
GUIDANCE**

June 2010

REGISTER OF GIFTS AND HOSPITALITY – GUIDANCE

Why do we need a Register of Gifts and Hospitality?

Many Council employees have dealings with people outside the Council, particularly members of the public, suppliers, contractors and other private organisations.

It is essential that Council employees adhere to the overriding principle that they should not compromise their position as public service workers by accepting gifts and/or hospitality and allowing themselves to reach the position where they might be, or might be thought by others, to have been influenced in making an important decision as a consequence or might be open to allegations of corruption or acting improperly. As acceptance of gifts and hospitality could be seen to compromise an employee's personal judgment or integrity, it is important for the Council to have clear guidance governing this area.

General guidance on accepting gifts and hospitality

You should treat with extreme caution any offer of a gift, favour or hospitality that is made to you personally. The person or organisation making the offer may be doing or seeking to do business with the Council, or may be applying to the Council for planning permission or some other kind of decision.

However, certain senior jobs, by their very nature require officers to accept gifts and hospitality. This would be where, for example, senior officers were acting in an authorised capacity representing the Council at an event. In such circumstances it is permissible to accept gifts and hospitality subject to registering these if their value is or is likely to be in excess of £25.00.

A helpful question in deciding whether any gift or hospitality should be accepted is whether a member of the public, knowing the facts, would think that you might be improperly influenced by the gift or hospitality.

If you have any doubts about any particular situation, you should always consult your Line Manager, Supervisor or the Monitoring Officer before accepting anything.

GIFTS

The general principle is that gifts offered should be refused.

However, when deciding whether or not to accept an offer of a gift, the context is very important. An offer from a company seeking to do business with the Council made to an employee involved in letting a contract is unlikely ever to be acceptable, regardless of the value of the gift. Further, money as payment for services provided whilst undertaking duties for the Council must never be accepted. (Receipt of money in such circumstances may be a criminal offence and will certainly result in disciplinary action. Tips should also be refused).

By contrast, a gift given at Christmas by a service user as a gesture of appreciation to an employee will generally be acceptable and could cause offence if returned. Further, it will usually be acceptable to receive promotional material of token value such as desk diaries, mouse mats, mugs, key rings, calendars or pens.

Registering Gifts

You are only required to formally register a gift if its value is £25.00 or more. However, before accepting any gifts even where their value is less than £25.00 you are advised to seek your Line Manager's or Supervisor's guidance on whether the gift should be accepted. If need be, your Line Manager or Supervisor will check the position with the Monitoring Officer.

In order to register a gift you must complete the form in Appendix A, ('Form OGH').

With the exception of employees at Head of Service level or above (see below), all employees must send the completed Form OGH to their Head of Service who will maintain a register in relation to employees below them.

All employees at Head of Service level or above must send the completed Form OGH to Democratic Services, where a register is held on behalf of the Monitoring Officer in relation to senior employees.

HOSPITALITY

Accepting hospitality

The general principle is that hospitality should ordinarily be refused other than on a modest scale.

Hospitality should generally only be accepted if there is a genuine need to impart information or represent the Council in the local community.

Examples of hospitality which can be accepted are:

- refreshments or a meal given during or at the conclusion of business
- an invitation to a Society or Institute dinner

Examples of hospitality which are not acceptable are:

- a holiday or business trip paid for by business contacts
- use of a company flat/hotel suite

In cases where accepting hospitality is appropriate, you must inform your Line Manager or Supervisor in advance in order to avoid any later misunderstanding. Further, when receiving authorised hospitality, you should be particularly sensitive as to its timing in relation to decisions which the Council may be taking affecting those providing the hospitality.

Offers of free hotel accommodation and tickets for concerts or sporting events should be treated with caution and accepted only when these are part of the life of the community or where the Council should be seen to be represented. However, if it is appropriate to accept these and if their value is or is likely to be in excess of £25.00, then, they will need to be declared. These will invariably be valued substantially in excess of £25.00 and you must record why such hospitality has been accepted.

Acceptance of hospitality through attendance at relevant conferences and courses will generally be acceptable where it is clear the hospitality is corporate rather than personal, where the Council gives consent in advance and where the Council is satisfied that any purchasing decisions are not compromised. Where visits to inspect equipment, etc are required, you should ensure that the Council meets the cost of such visits to avoid jeopardising the integrity of subsequent purchasing decisions.

If in doubt, any offer of hospitality should be declined. When hospitality has to be declined, those making the offer should be courteously but firmly informed of this Council policy and the standards operating within the Council.

Registering Hospitality

All hospitality that is valued at £25.00 or more must be registered, together with the reason for accepting it by completing the form in Appendix A, ('Form OGH').

With the exception of employees at Head of Service level or above (see below), all employees must send the completed Form OGH to their Head of Service who will maintain a register in relation to employees below them.

All employees at Head of Service level or above must send the completed Form OGH to Democratic Services, where a register is held on behalf of the Monitoring Officer in relation to senior employees.

If you are concerned about a particular gift or offer of hospitality, you should obtain advice on the operation of this guidance from the Monitoring Officer, Francis Fernandes (ext 7334).

FORM OGH

Form for Registration of Gifts and Hospitality by Officers

N.B. ONLY COMPLETE THIS FORM IF THE VALUE OF GIFTS OR HOSPITALITY IS VALUED AT £25 OR MORE

<i>Please Complete</i>	
<ul style="list-style-type: none">• Name of person who received the gift / hospitality or offer of gift / hospitality:• Department:	
Gift or Hospitality?	GIFT HOSPITALITY
Description and estimated value (where known) of gift / hospitality:	
Name and address of person/ organisation that gave / offered the gift /hospitality:	
Reason for acceptance:	
Date on which gift or hospitality was received :	

With the exception of employees at Head of Service level or above (see below), all employees must send the completed form by e-mail to their Head of Service who will maintain a register in relation to employees below them.

All employees at Head of Service level or above must send the completed form to Democratic Services by e-mail to Frazer McGown at interestsandgifts@northampton.gov.uk, who will maintain a register on behalf of the Monitoring Officer.

Date Form received by Head of Service / Democratic Services on behalf of Monitoring Officer (*Delete as appropriate*)

.....



NORTHAMPTON
BOROUGH COUNCIL

SCHEDULE 2

REGISTER OF OFFICER INTERESTS

GUIDANCE

June 2010

GUIDANCE

REGISTER OF OFFICER INTERESTS

The following guidance notes are to assist officers who are required to complete the form entitled 'Declaration by an Officer of Financial and Other Personal Interests' ('Form ROI') which forms part of the Register of Officer Interests. These guidance notes are based on Standards for England guidance regarding Members' declarations of personal interests, where the interests that officers are asked to declare are the same as or similar to the interests Members are required to declare.

<p>(1) Details of any employment or other work in addition to your employment with the Council</p>

You should state any employment, office, trade, profession, business or activity that generates income. Employment can also cover voluntary work.

If you are employed by a company, give the name of the company paying your wages, not that of the ultimate holding company.

This paragraph does not cover unearned income (from property or investments) unless you play an active role in the management of those assets.

Lengthy or detailed descriptions are not required here as the purpose of the entry is to identify the interest. The job title will normally be sufficient to identify the nature of your employment. A brief description of the nature of a business will also be acceptable.

<p>(2) Names of any businesses you own or which you have a share in, where that shareholding is greater than £25,000, or your stake is more than one hundredth of the value or share capital of the company</p>
--

You should list the names of any companies or other bodies and in which you have a substantial interest. You need not show the extent of your interest.

What is meant by a shareholding greater than £25,000?

The value of your shareholding in a company refers to the total nominal value of the shares that you own.

What does nominal value mean?

The nominal value of a share usually means its face value ie. the value stated on the share certificate itself. (This contrasts with its market value, which can often be considerably more, but may be less).

A nominal value of more than £25,000 is set for the inclusion of shareholdings in the Register of Officer Interests. This is a relatively high threshold. Therefore if you hold a small number of shares in a large public company of the kind that results from a privatisation issue, or a building society becoming a company, you are unlikely to need to

register them. However, please see the guidance below on the alternative criteria (ie. more than one hundredth of the share capital) which offsets this high threshold considerably.

What is meant by a stake of more than one hundredth of the value or share capital of the company?

The term 'share capital' refers to the nominal value of all the shares of the company that are in issue at any point in time. Therefore, if a company has issued 1000 £1 shares, it has a share capital of £1000 and you would therefore have a 1/100th stake of the share capital of the company if you owned 10 shares.

Therefore, comparatively modest shareholdings in smaller companies will be caught by this requirement.

What are securities?

Any other significant class of securities in relation to relevant businesses should also be listed under this heading. The term class of securities includes any instrument such as a stock, bond or option that indicates some form of ownership rights or creditor relationship with a particular body. (In practice, shares are the most commonly encountered form of securities).

What is meant by "beneficial interest"?

A beneficial interest is one where the owner of the interest is entitled to benefit from the asset concerned. Such an interest can arise directly through the legal ownership of an asset, or indirectly where you are the beneficiary of a trust.

- (3) Description of any contracts for goods, services or works between:**
- **the Council and you;**
 - **the Council and any firm in which you are a partner; and**
 - **the Council and any business which you have an interest in as in paragraph (2) above**

How much detail is required by the description of "any contracts"?

Enough detail should be given to identify the contract, such as the date and a brief description of the goods, services or works being contracted for.

There is no requirement to state the value of the contract or its terms but you should state the duration of the contract.

- (4) Address (or other description sufficient to identify the location) of any land or property in the Council's area in which you have a beneficial interest**

If you live in the Council's area, you should include your home under this heading if you are an owner, lessee or tenant.

Sufficient detail should be given to identify the land in question. An address and, where the address is not sufficient, a field number or map reference will usually meet the requirement. A plan identifying the land may be useful in some situations but is not a requirement.

- (5) **Address or other description (sufficient to identify the location) of any land where the landlord is the Council and the tenant is:**
- a firm in which you are a partner;
 - a company of which you are a remunerated director; or
 - a business which you have an interest in as in paragraph (2) above

Do you have to register the landholdings of your employers or bodies you have shareholdings in?

No. There is no requirement to list the landholdings of companies or corporate bodies included in the register. The only requirement is to register any **tenancy between such bodies and the Council.**

You are only expected to register those tenancies you ought reasonably to be aware of.

- (6) I am a member or hold a position of general control or management of the following public authority/ies or body/ies exercising functions of a public nature (that is, carrying out a public service, taking the place of a local or central governmental body in providing a service, exercising a function delegated by a local authority or exercising a function under legislation or a statutory power)

What is meant by a “body exercising functions of a public nature”?

The phrase “a body exercising functions of a public nature” is wide in scope and covers more than public authorities.

A function will usually be “of a public nature” where it is underpinned by statute or government. Although it is not possible to produce an exhaustive list of such bodies, here are some criteria to consider when deciding whether or not a body meets that definition:

- Does the body carry out a public service?
- Is the body taking the place of local or central government in carrying out the function?
- Is the body (including one providing outsourced services in the private sector) exercising a function delegated to it by a public authority?
- Is the function exercised under legislation or according to some statutory power?
- Can the body be judicially reviewed?

Unless you can answer “yes” to one of the above questions, it is unlikely that the body is exercising functions of a public nature.

Examples of bodies included in this definition are:

- regional and local development agencies
- other government agencies

- other councils
- public health bodies
- council-owned companies exercising public functions
- arms length management organisations carrying out housing functions on behalf of a public authority
- school governing bodies

(7) I am a member or hold a position of general control or management of the following company/ies, industrial and provident society/ies, charity/ies or body/ies directed to charitable purposes.

What is meant by a “body directed to charitable purposes”?

The reference to a “body directed to charitable purposes” is intended to cover more than organisations that fall within the legal definition of a charity. Any organisation directed towards charitable purposes (as the term is commonly understood), to any significant degree, comes within the scope of these words. Therefore, membership of Rotary or Lions clubs are likely to require registration.

Is membership of the Freemasons included?

Some but not all Masonic organisations are registered charities with the Charity Commission. Membership of those that are registered clearly falls within the scope of this provision.

However, the reference to any body “directed to charitable purposes” also covers organisations not falling within the legal definition of a charity. Ultimately you must judge the matter for yourself, however, it seems that many Masonic organisations will fall within the scope of this provision. The United Grand Lodge of England describes Freemasonry as, “...the UK’s largest secular, fraternal and charitable organisation”.

(8) I am a member or hold a position of general control or management of the following body/ies, whose principal purposes include the influence of public opinion or policy

Is membership of religious organisations included?

Generally religious organisations will not fall within the scope of this paragraph.

The principal purpose of most religious organisations is to provide a focus for religious worship and the common life of the particular faith community that the organisation serves. The influence of public opinion is normally not a principal purpose.

Likewise, although a religion may encourage charitable virtues, this will not make it a body directed to charitable purposes. However, you should register your religious organisation if one of its principal purposes is to influence public opinion or policy. Similarly, it will need to be registered if it is a registered charity or directed to charitable purposes.

(9) I hold a position of general control or management of the following trade union(s) or professional association(s)

The following are examples of professional organisations:

- Royal Institute of Chartered Surveyors
- Institute of Chartered Accountants in England and Wales
- Chartered Institute of Public Finance and Accountancy
- The Law Society

Please note there is no need to declare membership of a trade union or professional association. You only need to declare an interest where you are in a position of general control or management.

(10) I hold a position of general control or management of the following body/ies

You should detail your membership of or position of general control or management of any body which you have not registered under any of the preceding paragraphs. (You should include brief details of what the nature of your involvement is eg. member or manager).

Please note that you only need to declare an interest where you are in a position of general control or management. There is no need to declare an interest simply because you are a member of a certain body.

(11) Relationships with Northampton Borough Councillors

If a Northampton Borough Councillor is a member of your family or a close associate, you should state that relationship here.

Who is classed as a “member of your family”?

A member of your family should be given a very wide meaning. It includes:

- a partner (someone you are married to, your civil partner, or someone you live with in a similar capacity)
- a parent
- a parent-in-law
- a son or daughter
- a stepson or stepdaughter
- the child of a partner
- a brother or sister
- a brother or sister of your partner
- a grandparent
- a grandchild

- an uncle or aunt
- a nephew or niece
- the partners of any of the people above

In this context, a “member of your family” should be interpreted widely enough to cover anybody related to you by birth, marriage or civil partnership.

What is a “close associate”?

The term “close associate” should also be interpreted broadly.

A person with whom you have a close association is someone that you are in either regular or irregular contact with over a period of time, who is more than an acquaintance.

A close associate may be a friend, a colleague, a business associate or someone with whom you know through general social contacts. A closer relationship is implied than mere acquaintance.

A level of relationship above and beyond that which usually exists between colleagues will be required to establish the existence of a close association.

If you have any queries about completing Form ROI, please consult the Monitoring Officer, Francis Fernandes, (ext: 7334, e-mail: ffernades@northampton.gov.uk).



**NORTHAMPTON
BOROUGH COUNCIL**

REGISTER OF OFFICER INTERESTS

Name of Officer:

This form must be completed by the Chief Executive, and all Directors and Heads of Service within 28 days of appointment and thereafter at least annually.

Within 28 days of any change to your interests occurring, you must send an e-mail confirming the changes to the Democratic Services Manager, Frazer McGown at interestsandgifts@northampton.gov.uk

I certify that I have not:

- (1) omitted information that ought to be given on this register; or
- (2) provided information that is intentionally false or misleading

and I recognise that I am obliged to give further notices in order to:

- bring up to date information given in this notice; and
- declare an interest that I acquire after the date of this notice and am obliged to declare

within 28 days of any such change.

Signed:

Date:

Once completed, this form must be sent to the Monitoring Officer, **care of Frazer McGown**, Democratic Services Manager, the Guildhall in a sealed envelope marked 'Strictly Private and Confidential'.

Received by:

Date:



Why have a Register of Officer Interests?

The Government has carried out a consultation exercise on codes of conduct for local government employees in relation to the White Paper, '*Communities in control: Real people, real power*'. One of the proposals made in the consultation document is the introduction of a requirement for certain senior employees to formally declare various types of personal interest to their employing authority.

The Government has not yet proceeded with the proposals made in the consultation document by implementing statutory provisions. However, as a matter of good practice, in the interests of transparency and the proper administration of public affairs, Northampton Borough Council (the 'Council') requires you to declare certain interests to the Monitoring Officer on this Register. This Register includes categories of interest that the consultation document proposed that senior officers be obliged to register.

The purpose of this Register of Officer Interests is to identify any interests you have which might conflict with the Council's interests. The types of interests that you are asked to register on this form are those which could potentially give rise to concerns of partiality in decision making and the working practices of the Council.

The Register of Officer Interests is held by the Monitoring Officer and will be treated as a confidential document.

If you have any queries about filling in this form, please ask your Line Manager or the Monitoring Officer (Francis Fernandes, extension: 7334) for guidance.

FORM ROI

Declaration by an Officer of Financial and Other Personal Interests

Please note that you must make a 'nil' return if you have no interests to declare

(1) **Details of any employment or other work in addition to your employment with the Council**

(If you are an employee, you should give the name of your employer below. Where you hold an office, please give below the name of the person or body which appointed you. In the case of a public office, this will be the authority which pays you).

(2) **Names of any businesses you own or which you have a share in, where that shareholding is greater than £25,000, or your stake is more than one hundredth of the value or share capital of the company**

(Please include any such interests that are held in the name of other people in which you have a beneficial interest, for example, shares that are held in the name of someone other than you as trustee on trust for your benefit).

(3) **Description of any contracts for goods, services or works between:**

- **the Council and you;**
- **the Council and any firm in which you are a partner; and**
- **the Council and any business which you have an interest in as in paragraph (2) above**

(Please note that your contract of employment with the Council does not need to be included).

(4) Address (or other description sufficient to identify the location) of any land or property in the Council's area in which you have a beneficial interest

- ((a) You should include all land in the Council's area in which you have a beneficial interest, that is, in which you have some proprietary interest for your own benefit, for example land which you own or have a leasehold interest in.*
- (b) You should also include any property in the Council's area from which you receive rent, or of which you are the mortgagee (lender).*
- (c) "Land" includes any buildings or parts of buildings).*

(6) Address or other description (sufficient to identify the location) of any land where the landlord is the Council and the tenant is:

- a firm in which you are a partner;
- a company of which you are a remunerated director; or
- a business which you have an interest in as in paragraph (2) above.

(Please note that "land" includes any buildings or parts of buildings).

(6) I am a member or hold a position of general control or management of the following public authority/ies or body/ies exercising functions of a public nature (that is, carrying out a public service, taking the place of a local or central governmental body in providing a service, exercising a function delegated by a local authority or exercising a function under legislation or a statutory power).

(7) I am a member or hold a position of general control or management of the following company/ies, industrial and provident society/ies, charity/ies or body/ies directed to charitable purposes.

- (8) I am a member or hold a position of general control or management of the following body/ies, whose principal purposes include the influence of public opinion or policy

- (9) I hold a position of general control or management of the following trade union(s) or professional association(s)

- (10) I hold a position of general control or management of the following body/ies

- (11) Relationships with Northampton Borough Councillors

Agenda Item 9

Appendices: 1



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	External Audit Update
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	21 st March 2011
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr David Perkins

1. Purpose

1.1 To provide an update on the progress of external audit plans relating to 2009/10 and 2010/11.

2. Recommendations

2.1 To note the progress of external audit plans as contained in the Audit Commission's Progress Report of March 2011 (Appendix 1).

3. Issues and Choices

3.1 Report Background

3.1.1 The Council's external auditors, the Audit Commission, provide various reports and updates to the Council informing management of overall findings and issues. It is good practice to report these on to the Audit Committee.

3.2 Issues

3.2.1 The Audit Commission have recently provided the Council a Progress Report to March 2011 (attached at Appendix 1).

3.2.2 The Progress Report summarises the Audit Commission's overall progress on external audit work for Northampton Borough Council. The Council's external auditor will be present to provide a verbal update and to answer any questions arising.

3.3 Choices (Options)

3.3.1 To comment on the reports and to question the Council's external auditors on any matters arising.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None.

4.2 Resources and Risk

4.2.1 There are no specific resources and risk implications arising from this report.

4.3 Legal

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

4.4 Equality

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

4.5 Consultees (Internal and External)

4.5.1 The Chief Executive, the Director of Finance and Support, and the Head of Finance have been given opportunity to comment and feedback on the attached reports.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Protecting and enhancing the reputation of Northampton Borough Council.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

Appendix 1 – Progress Report – March 2011

Bill Lewis
Head of Finance, ext 7167

Progress report

March 2011

Northampton Borough Council

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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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 Council'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 progress report are shown in *italics*.

Table 1: **2009/10 audit and inspection plan**

All 2009/10 work has been completed.

Area of work	Target completion date	Current position
Audit Plan (fee letter).	-	● Complete. Issued 8 June March 2009.
Joint working protocol - internal audit	-	● Complete. Not formally finalised but superseded by 2010/11 protocol.
Joint working protocol - financial statements	-	● Complete. <i>Issued 20th April 2010</i>
Audit Opinion Plan.	-	● <i>Complete</i> <i>Issued 11 May 2010.</i>
Annual Governance Report.	September 2010	● <i>Complete.</i> <i>Issued 23 September 2010.</i>
Opinion on the financial statements and value for money conclusion.	September 2010	● <i>Complete.</i> <i>Issued 5 October 2010</i>
Annual Audit Letter.	November 2010	● <i>Complete.</i> <i>Issued 29 November 2010.</i>
Certification of grant claims and returns: summary report.	February 2011	● <i>Complete.</i> <i>Issued 13 December 2010.</i>

Table 2: **2010/11 Audit and inspection plan**

All work is progressing according to plan

Area of work	Target completion date	Current position
Audit Plan (fee letter).	April 2010	● Complete. Fee letter issued 28 April 2010.
Use of Resources	September 2010	● All work ceased in May 2010 following the government's announcement to abolish Comprehensive Area Assessment (CAA). Work completed prior to abolition was used to support our 2009/10 VFM conclusion and reported in the Annual Governance Report on 23 September 2010. <i>The Commission has agreed a fee rebate of 1.5%</i>
Managing Performance Assessment	October 2010	● All work ceased for the same reason as above. <i>The Commission will not charge the planned fee of £8,320</i>
Joint working protocol - internal audit	-	● Complete. <i>Issued 11 October 2010</i>
Joint working protocol - financial statements	-	● Complete. <i>Issued 26 January 2011</i>
Audit Opinion Plan.	May 2011	● Not yet due.
Annual Governance Report.	September 2011	● Not yet due.
Opinion on the financial statements and value for money conclusion.	September 2011	● <i>In progress.</i> <i>Review of key financial systems is substantially complete with no significant matters arising.</i> <i>Early review of restated balances under International Financial Reporting Standards (IFRS) is progressing slower than expected, but all items reviewed so far have been well documented and evidenced and there are no significant areas of concern to date.</i> <i>Audit of the 2010/11 financial</i>

Area of work	Target completion date	Current position
		<i>statements provisionally agreed to commence on 18 July 2011.</i>
Final Accounts Report.	October 2011 (If required)	● Not yet due.
Annual Audit Letter.	December 2011	● Not yet due.
Certification of grant claims and returns: summary report.	February 2012	● <i>In progress.</i> <i>Arrangements in respect of the Housing & Council Tax Benefit claim are being discussed with officers with a view to the Council undertaking the initial testing to reduce audit fees. Testing expected to commence in June 2011.</i>

Appendix 1 Audit reports issued

The following local audit reports have been issued since the last Audit Committee meeting (10 January 2011).

- Joint working protocol - financial statements 2010/11

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.

- A review of collaborative procurement across the public sector (joint report with NAO) (May 2010)
- Against the odds: Re-engaging young people in education, employment or training (July 2010)
- Local government pensions in England: An information paper (July 2010)
- Local Government Claims & Returns: Report on certification work 2008/09 (July 2010)
- Strategic financial management in councils: Delivering services with a reduced income (September 2010)
- International Financial Reporting Standards: Progress on the transition to IFRS (October 2010)
- Protecting the public purse 2010 - Fighting fraud against local government and local taxpayers (October 2010)
- Financial management of personal budgets - Challenges and opportunities for councils (October 2010)
- Reporting on operating segments - Countdown to IFRS in local government (October 2010)
- Proposed work programme and scales of fees 2011/12 - Local government, housing and community safety - consultation document (December 2010)
- Auditing the accounts 2009/10 - Report on the quality and timeliness of financial reporting (December 2010)
- New approach to VFM audit (December 2010)
- Work programme and scales of fees 2011/12 (February 2011)

Agenda Item 10

Appendices 3



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Internal audit progress report and draft internal audit 2011/12 operational audit plan
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	21 March 2011
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	Councillor David Perkins

1. Purpose

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

2. Recommendations

2.1 Receive the report.

2.2 Consider the Draft Internal Audit Risk Assessment and Plan 2011/12

3. Issues and Choices

3.1 Report Background

3.1.1 Introduction

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

3.1.2 2010/11 Plan Outturn

We have undertaken work in accordance with the 2010/11 Internal Audit Plan which was presented to Audit Committee at its meeting in March 2010

Since the previous Audit Committee we have issued the following reports as draft and we are either awaiting management responses to our findings or liaising with management in order to finalise these responses:

- Home Renovations Follow Up
- Temporary Accommodation Follow Up
- Debt recovery
- Housing Rents
- Payroll
- Carbon Reduction Commitment
- Insurance
- Agresso Creditors
- Human Resources
- IT reviews

We have recently issued final reports for the following reviews:

- **10_11 NBC Risk Management and Business Continuity 16** – This review focussed on risk management monitoring arrangements and business continuity testing. We identified 8 issues, all of which were either low or medium risk. We were able to provide a **Moderate** level of assurance.
- **10_11 NBC Planning Applications 10** – The review focussed on controls around the planning applications process. We identified 8 issues, all of which were either low or medium risk. We were able to provide a **Moderate** level of assurance.
- **10_11 NBC Debtors 14** – The review focussed on the invoice raising process. We identified 11 issues, all of which were either low or medium risk. We were able to provide a **Moderate** level of assurance.
- **10_11 NBC General Ledger** – The review focussed on the controls over the accuracy and completeness of transactions input into the ledger and information and output from the ledger. We identified 9 findings, 6 of which were low risk. We provided a **Moderate** Assurance (Improving) opinion as there was considerable improvement from the prior year.

Other Items to consider:

The following report has been issued in draft although we anticipate finalising this shortly.

- **10_11 NBC Creditors (IBS System)** – We reviewed processes and controls around ordering, access to the system and management information. In our draft report we have identified 15 findings relating to IBS creditors, 2 of which are high risk. Firstly we identified that 4 contracts with significant suppliers had expired exposing the Authority to risks in relation to value for money. We also identified that there was no review or authorisation of new suppliers meaning that there was a risk that false suppliers could be added. We have issued a draft **Limited Assurance** opinion.

We are waiting for updated management responses before we can finalise the report.

We have recently completed fieldwork for the following reviews and will be issuing draft reports shortly:

- Housing Benefits
- Budgetary Control
- Project governance
- Fixed Assets
- Contracts VFM review

3.1.3 Internal Audit Plan 2011/12

Included in Appendix 3 is the 2011/12 draft operational audit plan. This is presented for consideration by the Audit Committee.

3.2 Issues

3.2.1 As detailed in the report

3.3 Choices (Options)

3.3.1 N/a

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

4.2.1 Risks may be highlighted as a result of audit issues being reported.

4.3 Legal

4.3.1 N/a

4.4 Equality

4.4.1 N/a

4.5 Consultees (Internal and External)

4.5.1 Director of Finance and Support, Head of Finance, and other Heads of Service and Directors in respect of the 2011/12 Draft Internal Audit Risk Assessment and Plan.

4.6 Other Implications

4.6.1 N/a

5. Background Papers

5.1 Appendices to the report

- Appendix 1 – Progress against Plan
- Appendix 2 – TeamCentral report summary
- Appendix 3 – Draft Internal Audit Risk Assessment and Plan 2011/12

Other individual internal audit reports are available if required.

Chris Dickens
Senior Manager
PricewaterhouseCoopers LLP
01509 604041

Appendix One

Planned activity	Planned days	Actual days	Status
1. Core Financial Systems – Fundamental assurance			
▪ Council Tax	6	6	Final Report
▪ Non Domestic Rates (NDR)	5	5	Final Report
▪ Cash Collection	7	7	Final Report
▪ General Ledger	8	8	Final Report
▪ Debtors	6	6	Final Report
▪ Creditor Payments - Agresso	5	5	Draft Report
▪ Creditor Payments - IBS	5	7	Draft Report
▪ Payroll	10	9	Draft Report
▪ Budgetary Control	8	7	Fieldwork Completed
▪ Bank Reconciliations	7	7	Final Report
▪ Housing Benefits	9	8	Draft Report
▪ Fixed Assets	6	4	Fieldwork Completed
▪ Housing Rents	7	6	Draft Report
▪ Expenses	7	7	Final report
▪ Debt Recovery Review	5	4	Draft Report

Planned activity	Planned days	Actual days	Status
2. Operational system reviews – risk based assurance <ul style="list-style-type: none"> ▪ Carbon Reduction Commitment ▪ Human Resources ▪ Westbridge Depot ▪ Voluntary Grants ▪ Void management ▪ Procurement/VFM ▪ Licensing ▪ Planning Application ▪ ICT audits ▪ Insurance Claims 	10 13 15 7 7 10 13 8 15 5	8 10 1 7 3 8 13 8 10 4	Fieldwork Completed Fieldwork Completed Work removed from plan (due to coverage of Westbridge Depot through other reviews) Final Report Work deferred to 2011/12 Fieldwork completed Final Report Final Report Fieldwork substantially completed Draft Report

Planned activity	Planned days	Actual days	Status
3. Strategic – performance assurance			
▪ Risk management & Business Continuity Arrangements	5	5	Final Report
▪ Governance	10	1	Work deferred to 2011/12
▪ SBR governance	7	6	Fieldwork completed
▪ Anti fraud and corruption	10	1	Work deferred to 2011/12

Planned activity	Planned days	Actual days	Status
4. Other			
▪ Specific follow up reviews:	7	7	Draft report
➢ Temporary Accommodation			Draft report
➢ Home renovations			Deferred to 2011/12
➢ Partnerships			Quarter 4
▪ General follow up/Team Central	12	10	TeamCentral training maintenance and follow up
▪ NFI	15	5	Quarter 4
▪ Audit Management	18	16	Continuous

Total		288	219	
Plus additional work (see table below)		25	24	
Less days removed from plan		(15)		
Less Deferred Work		(27)		
Less Ongoing NFI Work		(10)		
Outturn		265	249	

Additional Work	Planned days	Actual days	Status
5. Further work undertaken at request of Management			
<ul style="list-style-type: none"> ▪ Decent Homes review ▪ Museum security review 	10 15	10 14	Final Report Draft Report

Appendix Two

TEAMCENTRAL 10th March 2011

Year	Number of recommendations made	Implemented / Closed	Outstanding
2009/10	151	142	9 - (1 overdue)
2010/11	61	47	14 – (2 overdue)

The table above shows the position as at the 10th March 2011.

Note:

- Only finalised reports are being tracked through TeamCentral
- The overdue recommendation for 2009/10 relates to updating the Anti-fraud and Corruption policy. The two overdue recommendations for 2010/11 became overdue within the last 10 days. We are liaising with management to obtain updates for these.
- The 2010/11 recommendations are detailed in the table below:

2010/11 Recommendation Status

Review and number of recommendations still pending as at 10 th March 2011	Responsible HoS	Total Outstanding	Outstanding & overdue	Outstanding but not yet due	Total Implemented
Project : 10_11 NBC 04 - NNDR (3)	Robin Bates	1	1	0	2
Project : 10_11 NBC 05 – Expenses (7)	Robin Bates	1	1	0	6
Project : 10_11 NBC 06 – Debtors (11)	Bill Lewis	6	0	6	5
Project: 10_11 NBC 11 - General Ledger (9)	Bill Lewis	3	0	3	6
Project: 10_11 NBC 16 - Risk Management and Business Continuity (8)	Bill Lewis	3	0	3	5

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Northampton Borough Council

Draft Internal Audit Risk Assessment and Plan

Internal audit risk
assessment and plan

2011/2012

Distribution List

Senior Management Team
Heads of Service
Audit Committee

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1. Introduction and Approach

Introduction

This Internal Audit Risk Assessment and Plan outlines our proposed audit work for the year, based on our analysis of the key risks facing Northampton Borough Council.

Approach

Our approach to developing the audit plan is set out below.

Defining the Audit Universe

Dividing Northampton Borough Council into auditable units

We have identified the auditable units within Northampton Borough Council based on the organisational structure

Any processes which run across a number of different departments within Northampton Borough Council and which can be audited once have been pulled out as a separate auditable unit under Cross-cutting reviews in the audit universe, which is shown in full in Section 2.

Corporate level priorities and risks as defined in the corporate plan and risk register have been mapped to the auditable units. They are set out in Appendix 1.

Risk Assessment

Assessing the risk profile inherent within each auditable unit and adjusting for the strength of the control environment

Each auditable unit within the audit universe has been assessed for the potential impact and likelihood of inherent risks.

We have also rated the strength of the control environment within each auditable unit, taking into consideration:

- The strength of the first line of defence:
 - The extent of review by other assurance providers
 - The adequacy of risk assessment and management controls.
- The strength of the second line of defence (e.g. operational risk, health and safety, compliance):
 - Scope of qualitative and quantitative assessment
 - Issues identified.

The audit requirement rating has then been calculated from the inherent risk rating and control environment indicator; this ensures that audit effort is directed to areas of high risk and areas with high reliance on controls operating effectively.

The full results of our risk assessment are set out in Section 2; Section 3 sets out our detailed risk assessment criteria.

Audit planning

Identifying the specific reviews to be undertaken by internal audit

To develop the audit plan, the frequency of audit work has been determined for each auditable unit based on the audit requirement rating.

For auditable units which are not reviewed every year, the appropriate proportion of units are included in the plan each year (i.e. half of all auditable units to be covered every two years, a third of all auditable units to be

covered every three years etc). The specific auditable units to be covered each year are determined based on the length of time since audit work was last undertaken in each area and in consultation with management.

In some cases the majority of the risk within an auditable unit will be contained within a specific sub-process. In this case the work required has been adjusted to take this into account: the higher risk element has been captured as an **exception**, and will be included at a higher frequency than the remainder of the auditable unit.

Details of the correlation between the audit requirement rating and the of audit work are available in Section 2. Section 4 sets out our internal audit plan for 2011/12 with an indicative timeline.

Value Enhancement reviews

Identifying process improvement reviews to be undertaken by internal audit

In addition to the audit work defined through the risk assessment process described above, we undertake a programme of Value Enhancement reviews designed to assist management in improving existing processes. The Value Enhancement programme for 2011/12 has been identified through discussions with management and is included in the Internal Audit Plan set out in Section 4.

Key contacts

Meetings have been held with the following key personnel during the planning process:

David Kennedy

Chief Executive

Sue Bridge

Head of Planning

Steve Elsey

Head of Public Protection

Cheryl Doran (on behalf of Marion Goodman)

Customer Service Manager

Kathy Brookes (on behalf of Dale Robertson)

Performance Team Leader

David Atkinson

Head of West Northamptonshire JPU

Christine Ansell

Head of Landlord Services

Garry Pyne

Head of Procurement

Cllr Tony Woods

Chair of the Audit Committee

Robin Bates

Head of Revenues and Benefits

David Bailey

Director of Planning and Regeneration

Cara Boden

Assistant Chief Executive

Julie Seddon

Director of Environment and Culture

Bill Lewis

Head of Finance

We have also asked for input from the following key personnel:

Ian Redfern

Head of Culture and Leisure

Catherine Wilson

Head of Revenues and Benefits

Fran Rogers

Head of Performance and Improvement

Lesley Wearing

Director of Housing

Francis Fernandes

Borough Solicitor

Chris Cavanagh

Head of Regeneration and Development

Simone Wade

Head of Neighbourhood Environmental Services

Thomas Hall

Head of Policy and Community Engagement

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2. Risk Assessment

Audit universe of Northampton Borough Council with risk assessment results

Ref	Auditable Unit	Corporate objectives	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency
A	Cross-cutting						
A.1	Risk Management	CP 8 Providing quality services	5	3	4	●	Every year
A.2	Procurement		5	2	4	●	Every year
A.3	Business Continuity		6	4	4	●	Every year
A.4	Governance		6	4	4	●	Every year
A.5	Treasury Management		5	5	3	●	Every two years
A.6	Budgetary Control		6	5	4	●	Every year
A.7	Insurance claims		3	2	2	●	Every three years
A.8	General Ledger		6	4	4	●	Every year
A.9	Debtors		6	4	4	●	Every year
A.10	Creditors		6	3	4	●	Every year
A.11	Payroll		6	2	5	●	Every year
A.12	Fixed Assets		6	4	4	●	Every year
A.13	Cash and Banking		6	5	4	●	Every year
A.14	Expenses		5	2	4	●	Every year
A.15	Housing Benefits		6	3	4	●	Every year
A.16	Debt Recovery		6	2	5	●	Every year
A.17	Collection Fund		5	4	3	●	Every two years
B	Departmental Level						
B.1	Finance	CP 8 Providing quality services	6	4	4	●	Every year
B.2	Human Resources	CP 8 Providing quality services	5	3	4	●	Every year
B.3	Revenues and Benefits	CP 8 Providing quality services CP 1 Supporting you when you need it	6	3	4	●	Every year

Ref	Auditable Unit	Corporate objectives	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency
B.4	Customer Services and ICT	CP 8 Providing quality services CP9 Satisfying our customers	6	4	4	●	Every year
B.5	Landlord Services	CP 2 Ensuring homes are available for local people	5	2	4	●	Every year
B.6	Strategic Housing	CP 2 Ensuring homes are available for local people	5	2	4	●	Every year
B.7	Planning	CP 6 Driving the development of a confident, ambitious and successful Northampton	5	3	4	●	Every year
B.8	Regeneration and Development	CP 6 Driving the development of a confident, ambitious and successful Northampton	4	3	3	●	Every two years
B.9	Asset Management	CP 8 Providing quality services	4	3	3	●	Every two years
B.10	West Northamptonshire JPU	CP 8 Providing quality services CP9 Satisfying our customers	4	3	3	●	Every two years
B.11	Public Protection	CP 4 Helping create a clean, green and safe Northampton	4	3	3	●	Every two years
B.12	Environmental Services	CP 4 Helping create a clean, green and safe Northampton	5	3	4	●	Every year
B.13	Culture and Leisure	CP 3 Encouraging healthy, active, green living CP 5 Delivering inviting and enjoyable open spaces	5	3	4	●	Every year
B.14	Policy and Community Engagement	CP 1 Supporting you when you need it CP 7 Being a responsive Council	3	2	2	●	Every three years
B.15	Corporate Performance and Change	CP 8 Providing quality services	4	3	3	●	Every two years

Ref	Auditable Unit	Corporate objectives	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency
B.16	Communications Team	CP 8 Providing quality services CP9 Satisfying our customers	3	2	2	●	Every three years
B.17	Democratic and Chief Executive Services	CP 8 Providing quality services	4	2	3	●	Every two years
B.18	Community Safety Partnership	CP 4 Helping create a clean, green and safe Northampton	4	3	3	●	Every two years
B.19	Borough Solicitor Function	CP 8 Providing quality services	5	3	4	●	Every year

Key to frequency of audit work

Audit Requirement Rating	Colour Code	Timescale	Description
6	●	Every year	A review of processing and monitoring control design and operating effectiveness
5	●	Every year	
4	●	Every year	
3	●	Every two years	
2	●	Every three years	
1	●	No further work	

See Section 1 for a description of the risk assessment methodology used to determine the Audit Requirement Rating. Section 3 sets out the detailed risk assessment criteria.

3. Risk Assessment Criteria

Determination of Inherent Risk

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

Impact rating	Assessment rationale
6	Critical impact on operational performance or Critical monetary or financial statement impact or Critical breach in laws and regulations that could result in material fines or consequences; <i>or</i> Critical impact on the reputation or brand of the organisation which could threaten its future viability.
5	Significant impact on operational performance; or Significant monetary or financial statement impact; or Significant breach in laws and regulations resulting in large fines and consequences; <i>or</i> Significant impact on the reputation or brand of the organisation.
4	Major impact on operational performance; or Major monetary or financial statement impact; or Major breach in laws and regulations resulting in significant fines and consequences; <i>or</i> Major impact on the reputation or brand of the organisation.
3	Moderate impact on the organisation's operational performance; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the organisation.
2	Minor impact on the organisation's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the organisation.
1	Insignificant impact on the organisation's operational performance; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the organisation.

Likelihood rating	Assessment rationale
6	Has occurred or probable in the near future
5	Possible in the next 12 months
4	Possible in the next 1-2 years
3	Possible in the medium term (2-5 years)
2	Possible in the long term (5-10 years)
1	Unlikely in the foreseeable future

Inherent risk rating

Impact Rating	Likelihood Rating					
	6	5	4	3	2	1
6	6	6	5	5	4	4
5	6	5	5	4	4	3
4	5	5	4	4	3	3
3	5	4	4	3	3	2
2	4	4	3	3	2	2
1	4	3	3	2	2	1

Determination of Control Environment Indicator

Our assessment of the control environment is known as the **Control Environment Indicator**.

The control environment is assessed on a scale determined by the inherent risk rating for each auditable unit. The control environment indicator cannot be greater than the inherent risk rating; therefore a rating of 1 indicates that there are minimal controls in place, and a rating equal to the inherent risk rating indicates that the control environment is sufficiently strong to mitigate all inherent risks within the auditable unit.

Determination of Audit Requirement Rating

The **Audit Requirement Rating** is calculated based upon the inherent risk and control environment indicator so that audit effort is directed to areas of high risk and high reliance on controls operating effectively.

Audit Requirement Rating:

Inherent Risk Rating	Control design indicator					
	1	2	3	4	5	6
6	6	5	5	4	4	3
5	5	4	4	3	3	n/a
4	4	3	3	2	n/a	n/a
3	3	2	2	n/a	n/a	n/a
2	2	1	n/a	n/a	n/a	n/a
1	1	n/a	n/a	n/a	n/a	n/a

4. Internal Audit Plan and Indicative Timeline

Internal Audit Plan and Indicative Timeline

The following table sets out the internal audit work planned for 2010/11

Ref	Auditable Unit	Indicative number of audit days	Y1				Comments
			Q1	Q2	Q3	Q4	
A	Cross-cutting						
A.1	Risk Management	5		×			Risk Management and Business Continuity review to cover: Risk management framework Fraud risk management Business continuity
A.2	Procurement	10		×			Procurement review to cover: <ul style="list-style-type: none"> • Tendering and quotations controls • Training and guidance for officers • Monitoring of adherence to procurement rules • Changes in procurement arrangements
A.3	Business Continuity	N/A		×			See Risk Management – Audit combined with RM
A.4	Governance	N/A					Governance survey – See Value Enhancement section below
A.5	Treasury Management	5	×				Treasury management review to cover: <ul style="list-style-type: none"> • Treasury Management Strategy • Monitoring controls over compliance with strategy
A.6	Budgetary Control	8				×	Budgetary Controls review to cover: <ul style="list-style-type: none"> • Budget setting process • Budget monitoring and reporting
A.7	General Ledger	8			×		General Ledger review to cover: <ul style="list-style-type: none"> • Input controls. • Accuracy of outputs. • Security over access and data. • System enhancements. • Changes in key staff or operating procedures.

Ref	Auditable Unit	Indicative number of audit days	Y1				Comments
			Q1	Q2	Q3	Q4	
A.8	Debtors	6		x			Debtors review to cover: <ul style="list-style-type: none"> All sources of income are identified. Invoices are raised in a timely, complete and accurate fashion.
A.9	Creditors (Agresso)	6			x		Creditors review to cover: <ul style="list-style-type: none"> Accuracy and review of output from the creditors system. Orders are raised in respect of all goods required. Payments are accurately made for goods received and appropriate authorisation has taken place. Security over access and data
A.10	Creditors (IBS)	8			x		Creditors review to cover: <ul style="list-style-type: none"> Accuracy and review of output from the creditors system. Orders are raised in respect of all goods required. Payments are accurately made for goods received and appropriate authorisation has taken place. Security over access and data
A.11	Payroll	10			x		Payroll review to cover: <ul style="list-style-type: none"> Starters, leavers and amendments Calculation of deductions Temporary variations to pay Security of system and access controls
A.12	Fixed Assets	6				x	Fixed Assets review to cover: <ul style="list-style-type: none"> Acquisitions identified Treatment of surplus assets Disposals/transfers Capital assets are completely and accurately recorded Capital asset verification Accounting for fixed assets and associated capital charges / revaluations Fixed assets are appropriately disclosed System is secure against unauthorised access and data loss

Ref	Auditable Unit	Indicative number of audit days	Y1				Comments
			Q1	Q2	Q3	Q4	
A.13	Cash and Banking	10			X		<p>Cash and banking review to cover:</p> <ul style="list-style-type: none"> All bank accounts are subject to regular and independent review & reconciliations. Use of suspense accounts is limited and items promptly cleared. Re-performance of reconciliations to ensure accurately completed. All income collection points are known. Adequate controls over post opening and processes in place for the secure receipt and recording of cash. Banking takes place promptly. Cash is accurately recorded against debtor and income accounts. Use of suspense accounts. Adequate segregation of duties. Unders and overs are accurately recorded and investigated.
A.14	Expenses	7			X		<p>Expenses review to cover:</p> <ul style="list-style-type: none"> Policies and procedures are up to date and communicated to employees Claims are made in line with policies and procedures Discrepancies and investigated and resolved prior to payment. Only permissible expenses are claimed and paid Authorised signatory list is in place and only authorised claims are processed
A.15	Housing Benefits	8				X	<p>Housing Benefits review to cover:</p> <ul style="list-style-type: none"> Benefit processing Payment of benefits
A.16	Housing rents	10			X		<p>Housing Rents review to cover:</p> <ul style="list-style-type: none"> Rent setting and annual increases Calculation of annual rent debit Changes to housing stocks Debt collection, allocation and rebates
A.17	Debt Recovery	7				X	<p>Debt Recovery review to cover:</p> <ul style="list-style-type: none"> Adequacy of debt collection, recovery and write-off procedures.

Ref	Auditable Unit	Indicative number of audit days	Y1				Comments
			Q1	Q2	Q3	Q4	
A.18	Partnership Arrangements	8		x			Partnership arrangements across the Authority, including governance and risk management
Total		122					
B	Departmental						
B.1	Human Resources	8				x	<i>Induction training</i> – Processes and controls around induction training
		8	x				<i>Recruitment</i> – Processes and controls around recruitment (including decentralised processes within departments)
B.2	Customer Services and ICT	15				x	<i>IT reviews</i> – Including IT general controls and IT security
B.3	Landlord Services	N/A					<i>HRA assumptions within Business Plan</i> - See Value Enhancement below
		10			x		<i>Decent Homes programme</i> – contract management/monitoring
B.4	Strategic Housing	6	x				<i>Voids</i> - Void expenditure and void turnaround
B.5	Planning	10				x	<i>West Northamptonshire Development Corporation (WNDC)</i> – Review of governance arrangements for stage 2 transition of WNDC
		8					<i>Locally set planning fees</i> – Assumptions within costing model
B.6	Regeneration and Development	10	x				Governance arrangements around regeneration projects, including Grovsenor and St Johns projects
B.7	Asset Management	8		x			Asset management review to cover: Time recording system Disposals Delivery of corporate programme
B.8	Environmental Services	N/A					<i>Environmental Services Contract</i> - See Value Enhancement below
B.9	Culture and Leisure	10				x	<i>Leisure Trust Contract</i> - Contract management/monitoring arrangements
B.10	Corporate Performance and Change	10				x	<i>Performance Management Framework</i> - Oversight of data quality and performance management and arrangements for performance related pay
		5		x			<i>Project governance</i> – Specific review of Electronic Data Management System (EDMS) project
B.11	Democratic and Chief Executive Services	5	x				<i>Community Asset Transfer Scheme</i> –Risk management arrangements

Draft internal audit risk assessment and plan

Ref	Auditable Unit	Indicative number of audit days	Y1				Comments
			Q1	Q2	Q3	Q4	
B.12	Borough Solicitor Function	N/A					Anti-fraud awareness training - See Value Enhancement below
Total		113					
VE	Value Enhancement						
VE.1	Anti-fraud and corruption training (Members and Officers)	2		×			Anti-fraud and corruption training to be provided to Members and Officers 10 days in total to be used, including the 8 days carried forward from 2010/11 as per bottom of this table.
VE.2	Governance survey	10				×	Survey last performed in 2009/10. Follow up survey to identify progress since the previous survey.
VE.3	Audit Committee Effectiveness Training	2	×				Audit committee effectiveness training for Members
VE.4	Environmental Services Contract Review	10	×				Specialist contract/contract monitoring arrangements review for Environmental Services
VE.5	HRA –Business Plan assumptions review	5		×			Specialist review of assumptions within 30 year Business Plan
Total		29					
PM	Project Management/Other						
PM.1	Follow Up	3		×			• Museum Security
PM.2	Teamcentral	10	×	×	×	×	Teamcentral maintenance
PM.3	Audit Management	18	×	×	×	×	Management of the internal audit contract
Total		31					
TOTAL PROPOSED DAYS		295					
Additional days carried forward from 2010/11 plan							
N/A	NFI	10	×				5 days used from 15 available in 2010/11. The rest is carried forward for work to be completed in Q1 2011/12
N/A	Anti-fraud and Corruption training (Members and Officers)	8		×			Anti-fraud training for Members and Officers to be carried out in Q1
N/A	Voids	4	×				Audit postponed in 2010/11. Added 4 days available to 6 days included in 2011/12 plan to provide 10 days for full controls audit
Total		22					

The table above shows indicative start dates for the relevant audits.

We apply an integrated internal audit approach such that audits of businesses and functions include both manual and automated controls.

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Appendix 1: Corporate Objectives and Risks

These corporate level priorities and risks have been determined by Northampton Borough Council as documented in the Corporate Plan and Corporate Risk Register.

Priority	Cross reference to Internal Audit Plan (see Section 4)
CP 1 Supporting you when you need it	A.15 Housing Benefit
CP 2 Ensuring homes are available for local people	B.3 Landlord Services reviews B.4 Strategic Housing reviews
CP 3 Encouraging healthy, active, green living	B.9 Leisure Trust contract
CP 4 Helping create a clean, green and safe Northampton	VE.4 Environmental Services Contract review A.18 Partnership Arrangements
CP 5 Delivering inviting and enjoyable open spaces	VE.4 Environmental Services Contract review
CP 6 Driving the development of a confident, ambitious and successful Northampton	B.6 Regeneration B.12 Community Asset Transfer Scheme
CP 7 Being a responsive Council	VE.4 Environmental Services Contract review
CP 8 Providing quality services	All reviews in section A – Cross Cutting B.11 Corporate Performance and Change reviews
CP9 Satisfying our customers	A.15 Housing Benefits A.16 Housing Rents

Risk	Cross reference to Internal Audit Plan (see Section 4)
Failure to deliver a balanced and deliverable budget.	A.6 Budgetary Controls
The organisation fails to deliver its responsibilities.	B.10 Corporate Performance and Change reviews
The plans for improving Northampton are not delivered.	B.6 Regeneration B.11 Community Asset Transfer Scheme

Failure of governance procedures and processes to facilitate the direct desired outcomes

VE.2 Governance

A.1 Risk Management

The Council fails to make the best use of resources (assets, people, technology).

B.1 Human Resources reviews

B.2 Customer Services and ICT reviews

B.7 Asset Management

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Agenda Item 12

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