

**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 May 2012

at 6:00 pm.

**D Kennedy  
Chief Executive**

**AGENDA**

**1. APOLOGIES**

Please contact Emma Garratt on 01604 837089 or egarratt@northampton.gov.uk when submitting apologies for absence.

**2. MINUTES**

To approve the minutes of the meeting held on the 19<sup>th</sup> March 2012

**3. DEPUTATIONS / PUBLIC ADDRESSES**

**4. DECLARATIONS OF INTEREST**

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

**6. EXTERNAL AUDIT PROGRESS REPORT**

**Trevor Croote  
(Audit Commission)**

(Copy herewith)

**7. FINANCE MONITORING**

**Isabell Proctor  
X 8757**

(Copy herewith)

**8. INTERNAL AUDIT PROGRESS REPORT**

**Chris Dickens  
(PWC)**

(Copy herewith)

**9. EXCLUSION OF PUBLIC AND PRESS**

THE CHAIR TO MOVE:

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

## **SUPPLEMENTARY AGENDA**

Exempted Under Schedule, 12A of L.Govt Act 1972, Para No: 3

### **10. INTERNAL AUDIT UPDATE**

(PRIVATE Part of Item 7 above attached)

**Chris Dickens  
(PWC)**

### **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.

**AUDIT COMMITTEE**

**Monday, 19 March 2012**

**PRESENT:** Councillor Hallam (Chair); Councillor Oldham (Deputy Chair); Councillors Gowen, Lynch, Nunn, Palethorpe, Subbarayan and Glynane

**1. APOLOGIES**

An apology for absence was received from Councillor Beardsworth, Councillor Glynane substituted.

**2. MINUTES**

The Minutes of the meeting held on 9 January 2012 were confirmed and signed by the Chair as a true record.

**3. DEPUTATIONS / PUBLIC ADDRESSES**

There were none.

**4. DECLARATIONS OF INTEREST**

There were none.

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

There were none.

**6. BUSINESS CONTINUITY UPDATE**

The Committee considered a report detailing an update on progress with the management of Business Continuity across the borough council.

The main points of the discussion were as follows: -

- Business Continuity Management (BCM) is the process that supports the Council in delivering its critical services and functions in the event of an unexpected emergency or disruption.
- The Borough Council is itself a category 1 responder under the Civil Contingencies Act.
- The functions are categorised CF1, CF2, CF3 based on how quickly the service would need to be up and running.
- There is a difference between business continuity and emergency planning. If there was an incident that required an emergency planning response that would probably be coordinated through the County Council emergency planning unit. Business continuity is about keeping Borough critical functions running in unexpected circumstances.
- It was noted that the plan needed to be updated to reflect that some functions were no longer carried out by the council and also to reflect the recent management restructure.

- Procedures are tested through either desktop exercises unless there has been a real incident. This is the most effective method of testing, one of the most significant recent incidents was the IT and telecoms failure in November 2011.
- There are opportunities for mutual aid between partners such as the County Council which may help to keep services functioning, but that would be subject to the nature of the emergency as in some cases the partners themselves might also be affected.
- Communications on potential issues are highlighted through Government briefings and also through the local resilience forums.

## **RESOLVED**

The draft Corporate continuity Plan, Council's business continuity critical functions and recent developments in Business Continuity Management be noted.

### **7. STRATEGIC HOUSING SERVICES RISK REGISTER**

The Committee considered the latest Strategic Housing risk register.

The main points of the discussion were as follows: -

- Strategic Housing provides services to some of the Councils' most vulnerable customers, key services have been examined and some potential risks identified. The Strategic risk register details actions that have been taken to minimise identified risks.
- There has been an increase in the numbers of homeless, rough sleepers and people seeking urgent assistance with their housing needs. This has led to more people coming to the One Stop Shop for housing advice.
- There will be further challenges to overcome when the impact of the changes to the welfare legalisation is felt. This may mean that the strategic risk register would need to be reviewed.
- Nationally all Councils are reporting increased numbers of homelessness and are examining alternative actions, such as the use of temporary accommodation or private accommodation.

**RESOLVED:** - The Strategic Housing Risk Register is noted.

### **8. THE WELFARE REFORM BILL**

The Committee considered a report on the Welfare Reform Bill.

It was agreed that this item should be considered alongside the Strategic Housing Service Risk Register.

The main points of the discussion were as follows: -

- This is now the Welfare Reform Act. Detailed legalisation and guidance will follow.
- In general the aim is to combine all out of work income related benefits (including Housing Benefit) with tax credits to one source of help (Universal Credit) This

hopes to strengthen work incentives, make benefits simpler and reduce error and fraud.

- The transition from the old system to Universal Credit will take place over four years. The timetable for new claims for out of work claimants commences in October 2013.
- Changes to the Housing Benefit (HB) scheme were introduced in April 2011, although the majority of existing claimants were afforded transitional protection, which has now ended. It is anticipated that because of the reductions in the levels of HB payments some tenants may find that their rent becomes unaffordable during 2012/13 and will have to draw on other income to avoid rent arrears or move to cheaper accommodation. It is therefore anticipated that the level of rent arrears may increase and the number of those presenting as homeless could rise.
- The current Council Tax Benefit Scheme is being replaced by localised support administered by councils. Local Authorities will have greater discretion on how they provide support for those on low incomes, however there will be an overall funding reduction of 10%. Data is being gathered regarding caseload, which will help to identify the most vulnerable groups. It is likely that those who will receive the least benefit will be those of working age.
- Claimants will receive a single direct benefit payment, which will include their housing payments, which would previously have been made direct to the landlord. There have been concerns nationally that this will lead to higher levels of debt.
- There are two planning boards, the Welfare Reform programme board and the project board working through the changes and their implementation.
- Concern was expressed as to how those people affected were being kept informed of the changes. All those who have already been affected by HB changes have been identified and received information to help them manage their situation and make appropriate choices. There has also been strong liaison with the strategic housing officers.
- A question was raised about how this might affect people who wished to downsize but were unable to through no fault of their own. It was confirmed that the Housing Allocations Policy was being reviewed to try to ensure that people in this situation would not be adversely affected. Downsizing would be given additional weight. Only those people under 60 were affected by the new under occupancy rules.

#### **RESOLVED: -**

1. That the Committee notes the implementation of the April 2011 changes to Housing Benefit and the interim position with Welfare Reform.
2. That the Committee notes the potential risks and service delivery implications for the council arising from the welfare reforms, which have been described as the most significant changes to the benefits system in over 60 years.
3. That the Committee notes that it will receive further reports in the autumn and as more detailed information becomes available.

## **9. SCHEDULE OF RESERVES AND RISK ASSESSMENT OF RESERVES**

The Committee considered a report on the schedule of reserves and risk assessment of reassessment of reserves.

The main points of discussion were as follows:-

- Audit Committee at its January 2012 meeting requested a report on reserves.
- Reserves may be cash or non cash. A report on the adequacy of reserves is made to Council each year by the Chief Finance Officer. This is achieved by undertaking a risk assessment of the General Fund budget and reviewing the earmarked reserves as part of the budget process.
- A further report will be submitted once the final year accounts have been approved.
- It was pointed out Reserves are interlinked with General Fund balances.
- A question was asked as to whether the £100,000 budget for helping people through difficult times was required. It was commented that this was for specific works with partners on pilot schemes and it would be reviewed.

### **RESOLVED: -**

1. the schedule and risk assessment of reserves be noted.
2. A further report be made to Committee once the final accounts have been agreed.

## **10. CORPORATE DEBT - PROGRESS AND AGE DEBT ANALYSIS.**

The Committee considered a report giving an analysis of debt and the age of outstanding debt across Northampton borough Council.

The main points of discussion were as follows: -

- The progress on collecting debt was welcomed. It was noted that the latest daily figures showed the levels were still decreasing.
- There were concerns that there will be an increase in the level of debt as the welfare reform changes work through the system.
- The Council now looks at the overall indebtedness of a person when making repayment agreements. Those debts that have priority will be the ones related to keeping people in their homes or their liberty.
- There will be a review of the Write off policy.
- It was emphasised that these performance figures have been achieved during very difficult financial constraints.
- The Internal Auditors have recently completed an audit, which endorsed the progress that had been made and showed that we should have confidence in the controls and measures in place.

**RESOLVED THAT-** the latest analysis of debt be noted.

## **11. ANTI FRAUD ANNUAL REPORT**

The Committee considered a report detailing a summary of anti fraud activity in 2011/12.

The main points of the discussion were as follows:-

- Performance figures are broadly comparable with those of the previous year.
- In 2011/12 the fraud team have done work with the housing services to examine the problem of sub letting. There has also been work with electoral registration and partners over issues such as Trading Standards.
- Welfare reform will start to have an impact on staff in 2012/13. Funding for the introduction of the proposed Single Fraud Investigation Service has not yet been agreed. It is likely however that staff will come largely from local authorities. There is recognition that the in house benefit fraud team already investigates corporate fraud.
- There will be a reduction in the number of investigators in 2012/13 due to maternity leave and a temporary arrangement has been made with Daventry District Council to cover this.
- Most fraud referrals come through the housing benefit matching and checking process although some are referred by other agencies or members of the public.
- Statistics indicate that approximately 2-3% of the national caseload is fraudulent.
- The welfare reform aims to introduce a simpler system with just one source of benefit, this should reduce fraud opportunities.

**RESOLVED :-**that the report be noted.

## **12. CAR PARK INCOME TRENDS**

The Committee considered a report giving and update on car parking income and usage across the Borough Car Parks.

The main points of discussion were as follows: -

- Audit Committee had requested regular updates on the usage and income of the Council's Car Parks as they identified car parking income as a significant risk. The Committee also wished to monitor risks relating to the decision to increase the rates for the use of standard car parks to the same as premier car parks taken as a part of the Budget setting in February 2012.
- There was concern that the changes in car parking fees had been an exercise that was intended to bring people into town, however they were not the car parks that appeared to be doing the best. It was commented that from the income point of view the car parks had to be considered as an "overall" picture.
- Car park usage was regularly monitored and changes in income. Reserves are also regularly monitored and could be adjusted if required.

- It is very difficult to say why some car parks are more popular than others. It can depend on events bringing people into certain areas, or people parking in different places when events make it more difficult to enter the centre of town. It was hoped that there would be good use of car parks in 2012 with the national events such as the Olympics and Diamond Jubilee encouraging local activities.

**RESOLVED:-**

1. That the Car Parking Income and usage to the end of January 2012 be noted.
2. A further report be brought back once the scheme had been in operation for a year.

**13. ANTI-FRAUD AND CORRUPTION POLICY AND STRATEGY AND WHISTLE BLOWING POLICY**

The Committee considered a report on the Anti Fraud Policy and Strategy and the Whistle Blowing Policy.

The main points of the discussion were as follows: -

- The Policy is refreshed every year and has recently been expanded to include officer interests and gifts and hospitality.
- The Whistle Blowing Policy tries to encourage employees to draw attention to incidences of fraud and malpractice. The Policy was endorsed and disseminated by Management Board, which did lead to some disclosures, which have been investigated. Work is ongoing to revise the inclusion of this information in the Councils induction programme.
- In November 2011 the internal auditors carried out an Anti Fraud health check, which concluded that overall the Council had a number of good anti fraud policies and programmes in place and senior managers recognised the importance of those. There were some areas where work was suggested to strengthen this work and those suggestions are being considered.

**RESOLVED:** -That the Anti- Fraud and Whistle Blowing policies be noted.

**14. PERFORMANCE MONITORING**

The Committee considered the Finance and Performance report as submitted to Cabinet on 7<sup>th</sup> March 2012 plus the additional appendices that support the figures in that report.

The main points of the discussion were as follows: -

- Concern was expressed that the figures for serious and acquisitive crime were increasing, despite a general tendency for crime figures to be in decline. It was queried whether this had any connection with the switching off of the street lights however it was stated that there had been an independent study done which showed that there was no link between level of crime and street lighting.
- As discussed in previous items Housing issues relating to the difficult financial climate were of concern. There were measures being introduced to try and mitigate these for example using HRA properties for temporary accommodation rather than bed and breakfast.
- Under Regeneration and Development Members asked how it was decided which



properties should be retained and which sold. They were advised that there is an Asset Management Board, which looks at properties and their investment returns. There is a reserve to cover under performing properties. Charges are related to local conditions.

- Market income is lower than anticipated. Rents have not been raised for a while. It has proved difficult to attract new traders.

**RESOLVED: -**

1. That the report be noted.
2. That the independent study on crime showing lack of a link to street lighting be circulated to Committee.

**15. INTERNAL AUDIT UPDATE**

The Committee considered a report on internal audit progress for 2011/12 and the draft plan for 2012/13.

The main points of discussion were as follows: -

- The 2011/12 programme is 90% complete so is on target.
- The audits for Housing Rents and Development Governance found no control weaknesses. The Core Financial systems were also very well controlled. Payroll was the only system not rated as low risk and a payroll project is being undertaken which addresses the issues found in the audit.

**RESOLVED:-**The report be noted.

The meeting concluded at 8:00 pm

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Appendices: 2



**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>External Audit Update</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	21 <sup>st</sup> May 2012
<b>Policy Document:</b>	No
<b>Directorate:</b>	Resources
<b>Accountable Cabinet Member:</b>	Cllr Alan Bottwood

### 1. Purpose

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- 1.1 To present to the committee the 2011/12 audit plan along with the latest progress report.

### 2. Recommendations

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- 2.1 To note the 2011/12 audit plan.
- 2.2 To note the progress of external audit plans as presented to the Committee by the Council's external auditors.

### 3. Issues and Choices

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#### 3.1 Report Background

- 3.1.1 The Council's external auditors, the Audit Commission, audit the Statement of Accounts and major grant claim and returns. They report to the audit committee progress against plan and any issues arising.

#### 3.2 Issues

##### Annual Audit Plan

- 3.2.1 The 2011/12 audit plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

- 3.2.2 The audit plan sets out the Audit Commission's responsibilities in relation to the audit and identifies areas, in their opinion, could pose significant risks. These are the Joint Environmental Services contract and HRA Reform.
- 3.2.3 The audit plan also sets out the audit commission fees.

### **Progress Report**

- 3.2.4 The purpose of the progress report is to provide the Audit Committee with an update on the progress in delivering the responsibilities as the authority's external auditor. It also includes an update on the externalisation of the Audit Practice.

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

- 3.3.1 To comment on any matters arising from the two reports.

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

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### **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 None.

### **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**

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Appendix 1 – 2011/12 Annual Audit Plan

Appendix 2 – Progress Report

**Isabell Procter**

**Director of Resources, ext 8757**

# Audit plan

Northampton Borough Council  
Audit 2011/12

Appendix 1



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# Introduction

**This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.**

## **Responsibilities**

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

# Accounting statements and Whole of Government Account

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**I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.**

## **Materiality**

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

## **Identifying audit risks**

I need to understand the Authority to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering the financial performance of the Authority;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Authority's information systems.

## **Identification of significant risks**

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below.



Table 1: Significant risks

Risk	Audit response
<p><b>Joint Environmental Services Contract</b></p> <p>The Council entered into a joint environmental services contract with Daventry District Council in April 2011. The contract includes capital and revenue elements and may include arrangements that could be classified as an embedded lease under IFRIC 4.</p>	<p>Officers have agreed to undertake a review of the contract and provide evidence of consideration of the IFRIC 4 criteria. We will review and test the Council's arrangements and accounting treatment.</p>
<p><b>HRA reform</b></p> <p>The government is reforming local authority housing finance by adopting a self-financing model from 1 April 2012. For Northampton this means a one-off payment to central government of £192.9 million on or before 28 March 2012 with a corresponding increase in debt. Due to the complexity, magnitude and timing of the HRA reform there is a risk that the financial statements could be materially misstated.</p>	<p>Review of management arrangements and testing of detailed transactions and accounting treatment.</p>
<p><b>Follow-up</b></p> <p>I will also follow up the issues arising from last year's audit, including:</p> <ul style="list-style-type: none"> <li>■ retention of evidence to support all journal transfers;</li> <li>■ review of arrangements for dealing with un-allocated cash at year-end; and</li> <li>■ clarification and application of accounting requirements in respect of the de-recognition of non-current assets.</li> </ul>	
<p><b>Testing strategy</b></p> <p>My audit involves:</p> <ul style="list-style-type: none"> <li>■ review and re-performance of work of your internal auditors;</li> <li>■ testing of the operation of controls;</li> <li>■ reliance on the work of other auditors;</li> </ul>	

- reliance on the work of experts; and
  - substantive tests of detail of transactions and amounts.
- I have sought to:
- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and
  - maximise the work that can be undertaken before you prepare your accounting statements.

The nature and timing of my proposed work is as follows.

Table 2: Proposed work

Audit visit	Controls testing and/or review of internal audit work	Reliance on work of other auditors	Reliance on work of experts	Substantive testing
Interim	General Ledger (main accounting system) Debtors Creditors Council Tax Housing Benefits NNDR Housing Rents Cash Receipting Capital Accounting (Asset Register) Treasury Management Payroll			Early testing of any other areas of work available at the time of my interim audit eg accounting policies (to be agreed with officers).

Audit visit	Controls testing and/or review of internal audit work	Reliance on work of other auditors	Reliance on work of experts	Substantive testing
Final	Pensions assets and liabilities – KPMG (auditor to Northamptonshire Pension Fund).	Pensions liabilities and assets – Hyman Robertson (the Authority's actuary) and PwC (our own consulting actuary).	Valuation of property, plant and equipment – Wilkes Head and Eve (the Authority's external valuer) and Gerald Eve (our consulting valuer).	All material accounts balances and amounts. Year-end feeder system reconciliations.

### Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

# Value for money

## I am required to reach a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

- securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

### Identification of significant risks

I have considered the risks that are relevant to my value for money conclusion. I have identified the following significant risks that I will address through my work.

Table 3: Significant risks

Risk	Audit response
<b>Securing financial resilience</b> The continuing financial pressures facing the public sector and proposed financial reforms represent a significant challenge to the delivery of financial plans in the current and future years.	I will update my understanding of the Authority's financial and risk management arrangements by: <ul style="list-style-type: none"><li>■ reviewing finance reports presented to members to ensure the Authority is on track to deliver its plans for the year, or that corrective action is being taken where risks are identified;</li><li>■ reviewing the revised medium term financial plan to ensure that it is deliverable, reflects the Authority's strategic objectives and priorities and is based on reasonable assumptions; and</li></ul>

Risk	Audit response
<p><b>Challenging how the Authority secures economy, efficiency and effectiveness</b></p> <p>The issues identified above could also impact on arrangements for securing economy, efficiency, and effectiveness.</p>	<ul style="list-style-type: none"> <li>■ reviewing the financial implications for the Authority of the new housing finance system.</li> </ul> <p>I will update my understanding of the Authority's arrangements for ensuring it identifies and delivers efficiencies in its operations.</p>

# Key milestones and deadlines

The Authority is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 4: Proposed timetable and planned outputs

Activity	Date	Output
Opinion: controls and early substantive testing	April 2012	Report to Audit Committee if necessary.
Opinion: receipt of accounts and supporting working papers	By 30 June 2012	
Opinion: substantive testing	July and August 2012	Weekly informal progress reports to Head of Finance
Present Annual Governance Report at the Audit Committee	September 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

# The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 5: Audit team

Name	Contact details	Responsibilities
Neil Bellamy District Auditor	<a href="mailto:n-bellamy@audit-commission.gov.uk">n-bellamy@audit-commission.gov.uk</a> 0844 798 4057	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive.
Trevor Croote Audit Manager	<a href="mailto:t-croote@audit-commission.gov.uk">t-croote@audit-commission.gov.uk</a> 0844 798 4064	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.
Alastair Ambrose Team Leader	<a href="mailto:a-ambrose@audit-commission.gov.uk">a-ambrose@audit-commission.gov.uk</a> 0844 798 4185	Leads the onsite audit team during audit visits. Key point of contact for the Finance Team.

# Independence and quality

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## Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am aware of the following relationships that might constitute a threat to independence and that I am required to report to you. I have therefore put in place the following safeguards to reduce the threat.

Table 6: Threats and safeguards

Threat	Safeguard
A member of the local audit team is married to an employee of the Council.	The local auditor will not undertake any work related to her husband's area of activity or the payroll system.

## Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ ([c-westwood@audit-commission.gov.uk](mailto:c-westwood@audit-commission.gov.uk)) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).



# Fees

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## **The fee for the audit is £178,000 as set out in my letter of 2 June 2011.**

### **The audit fee**

The Audit Commission has set a scale audit fee of £194,275 which represents a five per cent reduction on the audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financial Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have set the fee at £178,000, eight per cent below the scale fee, reflecting my revised assessment of risk following completion of the 2010/11 audit.

### **Assumptions**

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Director of Finance and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

### Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. I will continue to provide ongoing audit support and work with staff to identify opportunities to reduce fees. However, as our fees are now prescribed centrally by the Audit Commission there is no local discretion to reduce the fee without the prior approval of the Audit Commission.

### Total fees payable

In addition to the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 7: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	£178,000	£204,500	- £26,500 (13%)
Certification of claims and returns	£31,000 (estimate)	£32,477	- £1,477 (5%)
Non-audit work	£0	£0	£0
<b>Total</b>	<b>£209,000</b>	<b>£236,977</b>	<b>- £27,977</b>

The Audit Commission has also committed to a rebate of £14,240 reflecting attainment of internal efficiency savings, reducing the net amount payable for audit work to £163,760.

# Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 8: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.  The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.	All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.
<i>Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards</i>		

# Appendix 2 – Basis for fee

---

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example:
  - internal controls are operating effectively; and
  - I secure the co-operation of other auditors.
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- The Authority provides:
  - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements at the start of the audit;
  - other information requested within agreed timescales; and
  - prompt responses to draft reports.
- There are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

# Appendix 3 – Glossary

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## **Accounting statements**

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

## **Annual Audit Letter**

Report issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

## **Annual Governance Report**

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion and conclusion.

## **Annual Governance Statement**

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

## **Audit of the accounts**

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

## **Audited body**

A body to which the Audit Commission is responsible for appointing the external auditor.

### **Auditing Practices Board (APB)**

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

### **Auditing standards**

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

### **Auditor(s)**

Auditors appointed by the Audit Commission.

### **Code (the)**

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

### **Commission (the)**

The Audit Commission for Local Authorities and the National Health Service in England.

### **Ethical Standards**

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

### **Group accounts**

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

### **Internal control**

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

### **Materiality**

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

The term 'materiality' applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

### **Significance**

The concept of 'significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

### **Those charged with governance**

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

### **Whole of Government Accounts**

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.



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



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

March 2012



# Progress report

**Northampton Borough Council**

**Audit 2010/11**

April 2012



**The Audit Commission is a public corporation set up in 1983 to protect the public purse.**

**The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.**

**We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.**

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# Introduction

- 1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the externalisation of the Audit Practice.
- 2 This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Audit Committee.
- 3 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager using the contact details at the end of this update.
- 4 Finally, please also remember to visit our website ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)) which now enables you to sign-up to be notified of any new content that is relevant to your organisation.

Neil Bellamy

District Auditor

26 April 2012

## Performance against plans

5 The table below shows the current position on the main areas of our work for 2011/12. Changes since our last report are shown in *italics*.

Table 1: **2011/12 Audit plan**

All work is progressing according to plan

Area of work	Target completion date	Current position
Audit plan (fee letter).	April 2011	● Complete. <i>Initial fee letter issued 15 April 2011. Revised fee letter issued 2 June 2011.</i>
Audit opinion plan.	May 2012	● Complete. <i>Plan issued 19 April 2012.</i>
Annual governance report.	September 2012	● Not yet due. <i>Interim audit work is substantially complete. There are no matters to report to Members at this stage.</i>
Opinion on the financial statements and value for money conclusion.	September 2012	● Not yet due.
Annual audit letter.	<i>October 2012</i>	● Not yet due. <i>Target date changed in light of the outsourcing timetable.</i>
Certification of grant claims and returns: summary report.	February 2013	● Not yet due. <i>Reporting arrangements are likely to change in light of the outsourcing timetable.</i>

## Government response to consultation on the future of local public audit

6 In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011 the government published a consultation paper and, in January 2012, announced its response to the consultation to which it received 453 responses, the majority from audited bodies.

7 The Audit Commission has recently announced the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice for the period 2012/13 to 2016/17 (see 'update on the externalisation of the Audit Practice' below). The government envisages the retention of the Audit Commission as a small residuary body until the end of those contracts, to oversee them and to make any necessary changes to individual audit appointments.

8 Thereafter, the government proposes that a new local public audit regime will apply, the key features of which are as follows.

- Local government bodies will appoint their own auditor on the advice of an independent audit appointment panel, with a maximum of two terms of five years permissible.
- The audit will continue to cover arrangements for securing economy, efficiency and effectiveness, but without imposing further burdens on audited bodies. There will be further consultation on the approach to value for money.
- The power to issue a public interest report will be retained.
- Audit firms will be able to provide non-audit services to audited bodies, subject to complying with ethical standards and gaining approval from the independent auditor appointment panel.
- The National Audit Office will be responsible for developing and maintaining audit codes of practice and providing support to auditors.
- The National Fraud Initiative will continue. Discussions on how this will be achieved are ongoing.

9 The government response provides little detail on the audit arrangements for local health bodies. The Department of Health is working through the implications of Monitor's changing role and the proposed establishment of Clinical Commissioning Groups, and will specify the detailed arrangements for the audit of local health bodies, under the new framework, in due course.

10 The government is holding further discussions with audited bodies and audit firms to develop its proposals. The government intends to publish draft legislation for pre-legislative scrutiny in Spring 2012.



## Update on the externalisation of the Audit Practice

11 The Audit Commission's Managing Director, Audit Policy wrote to audited bodies on 6 March 2012 on the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice and on the process for making auditor appointments for 2012/13 and subsequent years.

12 The key points are as follows.

- Contracts will be let from 2012/13 on a five-year basis to the following firms.

Firm	Contract areas
Mazars DA	North East & North Yorkshire
Ernst and Young	Eastern South East
Grant Thornton	North West West Midlands London (South), Surrey & Kent South West
KPMG	Humberside & Yorkshire East Midlands London (North)

- The Commission has been able to secure very competitive prices that will save local public bodies over £30 million a year for a minimum of five years. The savings secured will be passed back to audited bodies through significant reductions in scales of audit fees. The Commission intends to publish the final scales of audit fees for 2012/13 in April 2012.
- The Commission Board will confirm the 'interim' auditor appointments for the first five months of 2012/13 on 22 March 2012.
- The Commission will then write to all audited bodies on or shortly after 23 April 2012 to set out its proposals for 'permanent' auditor appointments for 2012/13 and subsequent years. Where a body is currently audited by an auditor from the Audit Practice, the Commission will propose as the appointed auditor the firm that was awarded the contract in each area, unless there are good reasons that to do so would be inappropriate.

- To support the consultation process, the Commission is arranging a series of introductory meetings in each contract area between 30 April 2012 and 16 May 2012. The purpose of these meetings is to give audited bodies in each area an opportunity to meet the new firm proposed as their auditor and its senior partners, and hear how the firm plans to manage its new portfolio and its approach to the audits.

**13** The Commission is working with auditors to ensure a smooth transfer between the Audit Practice and the incoming firm. In particular, the new auditor will be expected to place maximum reliance on the work of the current auditor. Audited bodies can also help by ensuring they plan their 2011/12 accounts closedown effectively to enable auditors to issue their opinion by the statutory deadline for publication of accounts, 30 September 2012.

**14** Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

**15** Further details are available on the Commission's website. We will continue to keep you updated on developments.

**16** Against this background, the Audit Practice's focus remains.

- Fulfilling our remaining responsibilities – delivering your 2011/12 audit to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.

## Other matters of potential interest

### Annual fraud and corruption survey 2011/12

17 On 2 April 2012 the Audit Commission will be issuing its annual survey to collect information regarding all detected fraud and corruption for the 2011/12 financial year.

18 The electronic survey will be open for audited bodies to complete and submit between 2 April 2012 and 11 May 2012.

### National Fraud Initiative consultation

19 The Audit Commission is currently consulting on its proposed work programme and scales of fees for the 2012/13 National Fraud Initiative (NFI).

20 The NFI, which takes place biannually, has helped trace over £650 million in fraud, error and overpayments since it began in 1996 and has attracted international recognition.

21 The work programme will remain unchanged from NFI 2010/11 and, in recognition of the financial pressures that public bodies are facing, the Audit Commission proposes that the scale of fees for mandatory participants will remain the same as for NFI 2010/11.

22 The consultation will close on 23 March 2012 and the final work programme and scales of fees will be published in May 2012.

### Local government capital finance system

23 In late 2011 the Department for Communities and Local Government (DCLG) issued a consultation document on proposed changes to the Local Government capital finance system.

24 A summary of the consultation responses was published on 8 February 2012 and the Regulations, which come into force on 31 March and 1 April 2012, have been laid before Parliament.

25 DCLG's commentary confirms the intended effects of the amended Regulations are:

- to bring securitisation (the exchange of future revenues for an immediate lump sum payment) within the capital finance framework;
- to relax the rules on bond investments; and
- to clarify the definition of capital expenditure.

## **Openness and accountability in local pay**

26 On 17 February 2012 DCLG published guidance which sets out the key policy principles that underpin the pay accountability provisions in the Localism Act.

27 For each financial year, beginning with 2012/13, the Council will be required to prepare a pay policy statement that must articulate its policies on the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees.

28 The statement must be:

- approved by full Council, or a meeting of members in the case of a Fire and Rescue Authority; and
- published on its website.

## **Accounting for HRA Self Financing**

29 In March 2012 CIPFA produced guidance on the required accounting entries for councils making or receiving settlement payments to or from the Secretary of State in preparation for the commencement of self-financing of the Housing Revenue Account (HRA) from 1 April 2012. These transactions take place in the 2011/12 financial year and will therefore be reflected in the Council's financial statements for the year ended 31 March 2012.

## Key Considerations

**30** The Audit Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper.

- Has the Council made arrangements to complete the Audit Commission's annual fraud and corruption survey?
- Has the Council considered the implications of the amendments to the capital financing regulations?
- Has the Council prepared and published a pay policy statement?
- Has the Council considered the guidance from CIPFA regarding accounting for the payment to the Secretary of State for HRA self-financing?

## Contact Details

**31** If you would like further information on any items in this briefing, please feel free to contact either your District Auditor or Audit Manager.

**32** Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

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- any third party.



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Appendices: 6



**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Finance Monitoring Report</b>
---------------------	----------------------------------

**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	21 <sup>st</sup> May 2012
<b>Policy Document:</b>	No
<b>Directorate:</b>	Resources
<b>Accountable Cabinet Member:</b>	Cllr Alan Bottwood

### 1. Purpose

- 1.1 To present Audit Committee with the Finance Report to 29<sup>th</sup> February 2012.
- 1.2 To update the Audit Committee with the year end position on car parking income and usage.
- 1.3 To update the Audit Committee on the latest position in relation to the Council's outstanding debts and recovery.

### 2. Recommendations

- 2.1 To consider the contents of the Finance Reports:
  - General Fund Revenue (Appendix 1);
  - General Fund Capital (Appendix 2)
  - HRA Revenue (Appendix 3)
  - HRA Capital (Appendix 4)
- 2.2 To note the year end position on car parking income and usage (Appendix 5)
- 2.3 To note the latest position in relation to the Council's outstanding debts and recovery.(Appendix 6)
- 2.4 To consider whether Audit Committee require additional information in order to perform their governance role.

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

---

#### **3.1 Report Background**

- 3.1.1 A Finance and Performance report is taken to Cabinet on a quarterly basis (including the out-turn report). Finance reports are published monthly on the intranet with the exception of the beginning of the financial year and the final months of the financial year.
- 3.1.2 Audit Committee has asked to receive these reports. These will be brought to the first available Audit Committee following report production.
- 3.1.3 The audit committee has also asked for more detailed information in relation to car parking income and usage and debt recovery. Previously these have formed separate reports on the agenda and the committee has noted the progress. At the committee's last meeting the committee requested that a more summarised information was brought to the committee and included in the finance report.

#### **3.2 Issues**

- 3.2.1 The significant financial variances are outlined in the following appendices:
- Appendix 1 – General Fund Revenue Report to the End of February 2012
  - Appendix 2 – General Fund Capital Report to the End of February 2012
  - Appendix 3 – HRA Revenue Report to the End of February 2012
  - Appendix 4 – HRA Capital Report to the End of February 2012
- 3.2.2 The graphs and commentary at Appendix 5 shows the position for car parking usage and income to 31<sup>st</sup> March 2012.
- 3.2.3 The managed debt analysis and commentary are shown at appendix 6.

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

- 3.3.1 None

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

---

#### **4.1 Policy**

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

#### **4.2 Resources and Risk**

- 4.2.1 The reports at Appendices 1-4 detail any resource issues facing the Council from its forecast financial position for 2011/12.
- 4.2.2 The appendix 5 shows greater detail with regard to car parking income.
- 4.2.3 The appendix 6 shows the year end position with regard to the management of the Council's debt.

### **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 None at this stage.

### **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**

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Appendix 1 – General Fund Revenue Report to the End of February 2012

Appendix 2 – General Fund Capital Report to the End of February 2012

Appendix 3 – HRA Revenue Report to the End of February 2012

Appendix 4 – HRA Capital Report to the End of February 2012

Appendix 5 – Car parking usage and income to 31<sup>st</sup> March 2012

Appendix 6 – Managed Debt Analysis to 31<sup>st</sup> March 2012

**Isabell Procter**  
**Director of Resources, ext 8757**

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Division	Service Area	Revised Budget £000's	Forecast £000's	Forecast Variance £000's	RAG Status	Description
Chief Executives	Chief Executive	200	181	-19	G	
	Director LSP	200	181	-19	G	
Director of Northampton Local Strategic Partnership		72	55	-16	G	
		72	55	-16	G	
	Assistant Chief Executive	380	304	-76	G	Savings in a number of budgets across this area, none of which are significant on their own
	Civic and Mayoral Expenses Overview & Scrutiny	95	101	7	G	
		47	45	-2	G	
	Councillor & Managerial Support	541	510	-31	G	Savings have been made in members allowances. This happened as a result of reducing the number of Cabinet members and the boundary review reducing the number of Councillors.
	Communications	188	158	-30	G	Savings on the advertising and publicity budget.
	Electoral Services	415	311	-104	B	As the Borough Council Election was held in combination with the Referendum on the UK Parliamentary Voting System and costs were shared equally between these two areas, with the Referendum costs being funded by central government. Therefore, the Council's election costs were just under half of the original forecast.
	Democratic Services	149	114	-35	G	Savings as a result of vacant posts throughout the year
Assistant Chief Executive		1,815	1,543	-273	B	
	Performance and change	377	322	-54	G	Savings reflect lower costs incurred in relation to the design and publication of the Corporate Plan (£27k) and employee cost savings as a result of vacant posts (£28k).
Head of Performance and Change		377	322	-54	G	
	Head of Policy & Community Engagement Policy	79	78	-1	G	
		9	8	-1	G	
	Community and Other Grants	1,161	1,141	-20	G	
	Community Developments	397	443	46	G	An overspend has been incurred as part of the Community Centre transfer project
	Community Centres	332	293	-39	G	Savings have been achieved through employee related costs and income from Community Centres is higher than budgeted.
	Emergency Planning	45	52	7	G	
Head of Policy and Community Engagement		2,023	2,015	-8	G	
		<b>4,486</b>	<b>4,117</b>	<b>-370</b>	<b>B</b>	
Director of Planning & Regeneration		231	225	-6	G	
	Asset Management	1,630	1,551	-79	G	This forecast saving primarily reflects NNDR refunds received following appeal.
		-1,423	-1,678	-254	B	Increased rental fee income (£231k), largely due to external rent income (back dated 5 years) being received following a successful outcome from ground rent review arbitration (£332k), offset by loss of income due to vacant properties £101k. There have also been various improvements made to reduce energy costs resulting in a forecast saving of (£56k). There is a forecast overspend which is due to properties being vacant (which are normally leased out) resulting in £28k of NNDR costs. There are also other miscellaneous variances.
	Head of Regeneration & Development	90	91	0	G	The variance is due to employee costs being higher than expected. This is mainly due to posts not becoming vacant as expected (vacancy factor), the regrading of some posts and the planned impact of the restructure not being fully in place in April 2011.
	Regeneration & Investment	658	692	34	G	
	Development	17	17	0	G	
	Programme Coordination	5	5	0	G	
Head of Regeneration and Development		977	679	-298	B	
	Building Control	11	21	9	G	
	Development Control	328	170	-159	B	The forecast primarily reflects the increase in fee income received for Development Control services.
	Head of Planning	109	108	-1	G	
	Joint Planning Unit Manager	286	286	0	G	
	Planning & Regen Central Support	275	267	-7	G	
	Planning Policy & Conservation	768	709	-58	G	Savings have been made through holding posts vacant. There has been an increase in funding for environmental impact assessments. Also, contributions to running costs for regional parks have reduced.
Head of Planning		1,777	1,561	-216	B	

**CORPORATE FINANCIAL REPORTS (REVENUE)**  
**FINANCIAL YEAR 2011/2012**  
**PERIOD 11 (February 2012)**

Division	Service Area	Revised Budget £000's	Forecast £000's	Forecast Variance £000's	RAG Status	Description
Corporate	Non Distributed Costs	2,985	2,465	-520	B	
		4,057	4,057	0	G	
		4,057	4,057	0	G	
	Director of Finance & Support	664	667	3	G	
Director of Finance & Support	Human Resources	889	927	39	G	Temporary staff requirement to undertake systems development work to enable restructuring savings to be delivered.
	Single Status	50	20	-30	G	Savings in Staff as a result of the HR restructure, offsetting costs above.
	Training & Development	175	175	0	G	
Head of Human Resources		1,114	1,123	9	G	
	Financial Services	1,489	1,482	-8	G	
	Audit	392	338	-54	G	Lower payments to both Internal and External Audit than had been anticipated (including discounts and refunds).
	Investments	61	61	-24	G	
	Head of Finance	84	84	0	G	
	Exchequer Service	490	521	31	G	Additional costs arising from selfservice payroll project which was required to deliver the finance restructure savings.
	Procurement	165	167	3	G	
	Concessionary Fares	0	48	48	G	These are the residual costs following the closure of the concessionary fares scheme.
Head of Finance		2,706	2,702	-3	G	
	Administrative Services	466	493	27	G	
	Head of Customer Services and ICT	84	87	4	G	There has been an overspend on agency staff in the Contact Centre. This is a front line service and additional staff are required to answer the phones to meet the demands of the public. These costs are being funded from elsewhere within the Division and the Manager is looking at further potential ways to reduce the overspend.
	Customer Access	1,507	1,583	76	A	
	Print Unit	235	259	25	G	
	Office Accommodation	1,138	1,029	-109	B	There is a (£67k) saving due to an NNDR rebate for the Guildhall and (£44k) savings on cleaning costs.
	Information Technology	2,367	2,367	0	G	
	Telephones	248	247	-1	G	
Head of Customer Services and ICT		6,044	6,065	21	G	
	Benefits	-58	-133	-75	G	These savings largely reflect lower than anticipated costs in relation to rent allowances benefit payments.
	Head of Revenues & Benefits	86	85	-1	G	
	Revenues	320	307	-13	G	
Head of Revenues and Benefits		348	260	-88	G	
		<b>14,932</b>	<b>14,874</b>	<b>-58</b>	<b>G</b>	
Director of Housing		179	164	-15	G	
	Call Care	-215	-49	166	R	This forecast primarily reflects a reduction in income due to the loss of Call Care service contracts to external organisations.
	Home Choice & Resettlement	438	398	-41	G	These savings relate to a wide range of variances across the service. The largest of these is as a result of lower than anticipated costs on the furniture and social enterprise.
	Housing Options	386	358	-28	G	
	Head of Housing Needs	94	103	8	G	
	Travellers Sites	9	-6	-16	G	
	Private Sector Housing Solutions	-176	-156	19	G	
	Housing Strategy	25	-12	-37	G	
Head of Strategic Housing		562	634	72	A	
	Land Charges	740	797	57	A	
	Legal	698	765	67	A	The forecast overspend is largely due to the use of a locum Principal Solicitor to cover a vacant post at a cost greater than budgeted.
Borough Solicitor		654	705	51	A	

Division	Service Area	Revised Budget £000's	Forecast £000's	Forecast Variance £000's	RAG Status	Description
		654	705	51	A	
	Director of Environment & Culture	284	177	-108	B	The savings are mainly in relation to admin posts being held vacant.
	Director of Environment and Culture	284	177	-108	B	
	Leisure & Culture	1,180	1,097	-83	G	This saving is mainly attributable to a review of insurances related to this service.
	Museums	665	671	6	G	
	Arts and Other Activities	44	39	-5	G	
	Unity Leisure	37	67	30	G	This forecast is made up of a few variances in relation to the transfer of services to the leisure trust.
	Leisure and Culture	1,925	1,874	-51	G	
	Neighbourhood Environmental Serv	6,821	7,183	251	R	This is due to a number of additional costs incurred prior to the successful delivery of the Enterprise Contract. These include additional temporary staff cost and overtime of £294k, vehicle repair and hire costs of £110k, premises repairs and utility costs of £215k. Offsetting this is additional income from the County Council for recycling credits of (£432k).
	Neighbourhood Environmental Services	6,821	7,072	251	R	
	Community Safety	466	505	39	G	This is due to a wide variety of minor variances, including lower fee income in relation to the CCTV service and a lower level of vacant posts than had been anticipated.
	Licensing	-262	-286	-24	G	
	Pest Control	2	0	-2	G	
	Commercial Services	331	334	3	G	
	Environmental Protection	482	467	-15	G	
	Head of Public Protection	69	69	0	G	
	Neighbourhood Wardens	794	719	-75	G	The savings are largely attributable to vacant posts within the service.
Head of Public Protection		1,883	1,810	-74	G	
	Events	332	266	-66	G	A review of Events budgets has been undertaken resulting in a range of savings having been made. There has also been some planned events that have not taken place.
	Town Centre Management	-25	-3	22	G	There are a range of variances within this service. The largest of these relate to the provision of hanging baskets, as well as reduced income as a result of the set up of the town centre BID.
	Car Parking	-2,257	-2,065	192	R	There has been a reduction of £155k in car parks daily ticket income. This is due to 2.3% downturn trend in the usage of car parks and because of the Council absorbing the increase in the VAT rate. There is a delay in implementing the car park centralisation project due to technology restraints, resulting in an overspend of £28k in staffing agency costs. In addition to this, the loss of income due to the one hour free parking policy is forecast to be £187k for the year; this will be funded from an earmarked reserve and thereafter has no impact on the forecast for the service.
	Bus Station	211	212	0	G	
	Markets	-51	8	60	A	This is mainly as a result of reduced fee income from market stall hire. There has also been a reduction in income from catering concessions on the Market Square.
Head of Town Centre Management		-1,789	-1,581	208	R	
		9,124	9,350	227	R	
		32,921	32,308	-613	B	
		2,218	1,728	-491	B	This is due to an over achievement of investment income as a result of higher balances during the year due mainly to capital carry forward, so has no impact for 2012/13. There is also a technical financing adjustment which contributes to this saving.
		-4,856	-4,726	130	R	Forecast savings within Central Support Services are expected to reduce the amount of costs that are attributable to the HRA.
				-974	B	

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Project Code & Project Description	Approved Budget February 2011	Approved Changes In Year	Latest Approved Budgets	YTD Actual Expenditure	Forecasted Year End Spend	Forecasted - Underspend / +Overspend for Year End	Budget Carried Forward	Forecast Variance RAG	Carry forward RAG
	A	B	C=A+B	D	E	F=E-C	G		
	£	£	£	£	£	£	£		
BA145 - Cliftonville Move; New ways of working	0	741,258	741,258	720,391	741,258	0	0	G	G
BA154 - COM; Furniture	0	66,384	66,384	66,503	66,384	0	0	G	G
BA155 - COM; Filing & Storage	0	0	0	-250	0	0	0	G	G
BA156 - COM; ICT Server Room	0	0	0	-6,342	0	0	0	G	G
BA158 - COM; Multifunctional Printers	0	20,000	20,000	0	20,000	0	0	G	G
BA159 - COM; Site Exit	0	10,000	10,000	0	10,000	0	0	G	G
<b>Total for Corporate</b>	<b>0</b>	<b>837,642</b>	<b>837,642</b>	<b>780,302</b>	<b>837,642</b>	<b>0</b>	<b>0</b>	<b>G</b>	<b>G</b>
BA209 - Hosted Debit and Credit Card Payments	0	0	0	0	0	0	39,173	G	G
BA730 - Core Financials	0	46,240	46,240	44,798	46,240	0	0	G	G
<b>Total for Head of Finance</b>	<b>0</b>	<b>46,240</b>	<b>46,240</b>	<b>44,798</b>	<b>46,240</b>	<b>0</b>	<b>39,173</b>	<b>G</b>	<b>R</b>
BA122 - Fire Safety Improvement Works	0	74,500	74,500	18,192	74,500	0	45,500	G	R
BA131 - Danes Camp Roof Renewal	0	0	0	-30	0	0	0	G	G
BA132 - St Crispin Changing Rooms, Toilet, Car park	0	0	0	0	0	0	750,989	G	G
BA133 - St Crispin Football Pitches and Play Provision	0	0	0	0	0	0	164,796	G	G
BA136 - Water Management Works	100,000	-30,000	70,000	8,701	70,000	0	276,585	G	R
BA137 - Improvements to Car Parks	0	150,277	150,277	148,964	150,277	0	0	G	G
BA138 - Cemeteries Refurbishment Works	0	31,827	31,827	0	31,827	0	56,744	G	R
BA139 - Works to Churchyards (footpaths and boundary walls)	25,000	0	25,000	17,257	25,000	0	0	G	G
BA140 - Corporate Properties - DDA Issues	0	2,000	2,000	-2,942	2,000	0	0	G	G
BA141 - Unexpected in year Failures	0	0	0	-2	0	0	0	G	G
BA142 - Refurbishment of Parks	0	139,197	139,197	138,319	139,197	0	0	G	G
BA169 - Northampton Skatepark	250,000	-249,000	1,000	1,293	1,000	0	249,000	G	R
BA172 - Shelfleys / Ladybridge Greenspace Play Facilities	0	54,584	54,584	54,584	54,584	0	0	G	G
BA179 - Abington Park, Changing Room refurbishment	0	12,000	12,000	11,803	12,000	0	0	G	G
BA180 - Strategic Property Investment	500,000	0	500,000	0	500,000	0	0	G	G
BA181 - Refurbishment Abington Park Cottages 1&2	130,000	-54,665	75,335	74,691	75,335	0	0	G	G
BA182 - Central Museum - Replacement of Air Conditioning Units	40,000	0	40,000	0	40,000	0	0	G	G
BA183 - Timber Footbridge Replacements	135,000	-33,000	102,000	96,568	102,000	0	0	G	G
BA184 - Improvements to Ridings Car Parks	57,000	-19,751	37,249	35,543	37,249	0	0	G	G
BA185 - Improvements to Escalators - Greyfriars Bus Station	24,720	0	24,720	24,844	24,720	0	0	G	G
BA186 - Improvement to Parks Infrastructure	102,000	-49,000	53,000	959	53,000	0	210,482	G	R
BA187 - Racecourse Bowling Green Footpaths	12,000	0	12,000	10,814	12,000	0	0	G	G
BA188 - Royal and Dergate Roof Replacement Works	65,000	8,834	73,834	79,855	73,834	0	0	G	G
BA189 - Corporate Asset Improvements	191,780	-128,053	63,727	67,943	63,727	0	112,122	G	R
BA191 - Replacement of Air Conditioning at Westbridge Depot	120,000	9,890	129,890	129,144	129,890	0	0	G	G
BA194 - Guildhall Renewals	75,000	-44,000	31,000	0	31,000	0	44,000	G	R
BA195 - Promoting Northampton's Heritage	35,000	-35,000	0	0	0	0	0	G	G



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Project Code & Project Description	Approved Budget February 2011	Approved Changes In Year	Latest Approved Budgets	YTD Actual Expenditure	Forecasted Year End Spend	Forecasted - Underspend / +Overspend for Year End	Budget Carried Forward	Forecast Variance RAG	Carry forward RAG
	A	B	C=A+B	D	E	F=E-C	G		
	£	£	£	£	£	£	£		
BA196 - Grosvenor/Greyfriars - Stagecoach Relocation	5,500,000	-3,500,000	2,000,000	0	2,000,000	0	3,000,000	G	R
BA197 - Delapre Abbey Restoration Minor Projects	100,000	0	100,000	0	100,000	0	0	G	G
BA202 - Becketts Park Victorian Promenade Restoration	0	252,442	252,442	252,442	252,442	0	0	G	G
BA368 - Upton Park Pedestrian & Cycle Bridge	0	595,955	595,955	359,380	595,955	0	282,545	G	R
BA374 - Abington Museum Installation of Basement Level Radon Ventilation	0	0	0	0	0	0	0	G	G
BA887 - Grosvenor Greyfriars Car Park Improvement Works	0	1,173,533	1,173,533	1,074,943	1,173,533	0	0	G	G
BA888 - Market Square LED Lighting	0	51,793	51,793	15,333	51,793	0	0	G	G
BA889 - Mayorhold Car Park - Drainage Works	0	0	0	0	0	0	80,000	G	G
<b>Total for Head of Regeneration and Development</b>	<b>7,462,500</b>	<b>-1,585,637</b>	<b>5,876,863</b>	<b>2,618,597</b>	<b>5,876,863</b>	<b>0</b>	<b>5,272,763</b>	<b>G</b>	<b>R</b>
BA130 - Centralisation of POF Carparking	0	39,095	39,095	15,647	39,095	0	0	G	G
BA902 - Grosvenor Car Park - Parking Machines	0	33,650	33,650	29,170	33,650	0	0	G	G
<b>Total for Head of Town Centre Management</b>	<b>0</b>	<b>72,745</b>	<b>72,745</b>	<b>44,817</b>	<b>72,745</b>	<b>0</b>	<b>0</b>	<b>G</b>	<b>G</b>
BK010 - Countrywide Climate Friendly Communities	0	183,902	183,902	79,809	183,902	0	0	G	G
BK011 - Places of Change	0	711,499	711,499	711,499	711,499	0	0	G	G
BK014 - CBL Sub-regional scheme	0	41,201	41,201	14,208	41,201	0	0	G	G
BK015 - DFG's Owner Occupiers	1,750,000	917,784	2,667,784	1,707,704	2,667,784	0	0	G	G
BK029 - Hot Property 3	0	1,392	1,392	-2,482	1,392	0	0	G	G
BK030 - Heatstreets	0	0	0	-56	0	0	0	G	G
BK042 - Ecton Lane Improvements	0	0	0	5,059	0	0	0	G	G
BK043 - Ecton Lane Remedial Works 2	0	0	0	-6,678	0	0	0	G	G
BK044 - GOEM Decent Homes Assistance	0	424,319	424,319	288,069	424,319	0	0	G	G
<b>Total for Head of Strategic Housing</b>	<b>1,750,000</b>	<b>2,280,097</b>	<b>4,030,097</b>	<b>2,797,133</b>	<b>4,030,097</b>	<b>0</b>	<b>0</b>	<b>G</b>	<b>G</b>
BA144 - Playbuilder - Dallington	0	49,300	49,300	49,000	49,000	-300	0	G	G
BA167 - I Love My Parks	0	220,000	220,000	200,095	220,000	0	30,000	G	A
BA204 - EMS - Containers	0	208,000	208,000	208,105	208,105	105	0	G	G
BA205 - EMS - Food Waste Caddies	0	408,568	408,568	408,568	408,568	0	0	G	G
BA206 - EMS - Westbridge Depot Refurbishments	0	450,000	450,000	450,000	450,000	0	0	G	G
BA460 - Wheelie Bins & Recycling Boxes - Town Growth	75,000	-58,606	16,394	-3,316	16,394	0	0	G	G
<b>Total for Director of Environment and Culture</b>	<b>75,000</b>	<b>1,277,262</b>	<b>1,352,262</b>	<b>1,312,452</b>	<b>1,352,067</b>	<b>-195</b>	<b>30,000</b>	<b>G</b>	<b>G</b>
BA166 - Development of Shoe Resource Centre	0	0	0	-1,135	0	0	0	G	G
BA193 - Refurbishment - Northampton Museum and Art Gallery	210,000	95,976	305,976	169,079	305,976	0	0	G	G
<b>Total for Head of Leisure and Culture</b>	<b>210,000</b>	<b>95,976</b>	<b>305,976</b>	<b>167,943</b>	<b>305,976</b>	<b>0</b>	<b>0</b>	<b>G</b>	<b>G</b>
BA111 - Partnership Information Hub GIS	0	36,130	36,130	22,975	22,975	-13,155	0	G	G
BA157 - COM; Telephony (VoIP)	0	54,706	54,706	25,245	54,706	0	0	G	G
BA173 - Multi-Function Devices (MFD's)	0	118,169	118,169	88,541	118,169	0	0	G	G
BA192 - Content Management System Upgrade for Websites	30,000	0	30,000	18,350	30,000	0	0	G	G



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Project Code & Project Description	Approved Budget February 2011	Approved Changes In Year	Latest Approved Budgets	YTD Actual Expenditure	Forecasted Year End Spend	Forecasted - Underspend / +Overspend for Year End	Budget Carried Forward	Forecast Variance RAG	Carry forward RAG
	A	B	C=A+B	D	E	F=E-C	G		
	£	£	£	£	£	£	£		
BA198 - Purchase of Terrapin Buildings	0	7,500	7,500	0	7,500	0	0	G	G
BA207 - IT Infrastructure - Servers and Network Storage	0	142,300	142,300	82,895	142,300	0	0	G	G
BA644 - One Stop Shop Transformation	0	172,636	172,636	179,781	179,031	6,395	0	G	G
BA743 - Electronic Record Management	0	0	0	0	0	0	5,911	G	G
BA764 - One Stop Shop, CRM	36,500	106,305	142,805	113,139	142,805	0	0	G	G
BA786 - Data Network Improvements	0	41,692	41,692	0	41,692	0	74,600	G	R
BA808 - IT Network Replacement Programme	0	70,814	70,814	9,278	70,814	0	0	G	G
<b>Total for Head of Customer Services and ICT</b>	<b>66,500</b>	<b>750,252</b>	<b>816,752</b>	<b>540,203</b>	<b>809,992</b>	<b>-6,760</b>	<b>80,511</b>	<b>G</b>	<b>A</b>
BA160 - COM; Expansion 4 Home Working	0	27,676	27,676	27,954	28,232	556	0	G	G
BA164 - COM; IT Equipment New ways of working	0	90,159	90,159	90,456	90,159	0	65,900	G	R
BA165 - COM; Document Management	0	100,000	100,000	1,929	100,000	0	0	G	G
<b>Total for Head of Revenues and Benefits</b>	<b>0</b>	<b>217,835</b>	<b>217,835</b>	<b>120,339</b>	<b>218,391</b>	<b>556</b>	<b>65,900</b>	<b>G</b>	<b>R</b>
BA210 - Jeffrey Room Audio and Visual Improvements	0	60,500	60,500	1,006	60,500	0	0	G	G
BA883 - Planning IT Improvements (HPDG)	0	15,955	15,955	10,618	15,955	0	190,446	G	R
<b>Total for Head of Planning</b>	<b>0</b>	<b>76,455</b>	<b>76,455</b>	<b>11,623</b>	<b>76,455</b>	<b>0</b>	<b>190,446</b>	<b>G</b>	<b>R</b>
BA109 - Camp Hill Multi Use Game Area (MUGA)	0	0	0	-1,122	0	0	0	G	G
BA176 - CM-Draught Proofing Guildhall	0	8,260	8,260	4,869	7,553	-707	0	G	G
BA208 - Eastfield Park Improved Park Entrance	0	35,000	35,000	34,693	35,000	0	0	G	G
BA211 - Extension of Duston Cemetery	0	45,000	45,000	0	45,000	0	0	G	G
BA872 - Night Safe & Target Hardening - SSSNP	0	8,021	8,021	17,350	8,021	0	13,825	G	R
<b>Total for Head of Public Protection</b>	<b>0</b>	<b>96,281</b>	<b>96,281</b>	<b>55,790</b>	<b>95,574</b>	<b>-707</b>	<b>13,825</b>	<b>G</b>	<b>A</b>
BA878 - Money 4 Youth: Youth Capital Fund	0	46,712	46,712	24,006	46,712	0	0	G	G
<b>Total for Head of Policy and Community Engagement</b>	<b>0</b>	<b>46,712</b>	<b>46,712</b>	<b>24,006</b>	<b>46,712</b>	<b>0</b>	<b>0</b>	<b>G</b>	<b>G</b>
<b>TOTALS</b>	<b>9,564,000</b>	<b>4,211,860</b>	<b>13,775,860</b>	<b>8,518,002</b>	<b>13,768,754</b>	<b>-7,106</b>	<b>5,692,618</b>	<b>G</b>	<b>R</b>

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**NORTHAMPTON**  
BOROUGH COUNCIL

**HOUSING REVENUE ACCOUNT**  
**FINANCIAL YEAR 2011/2012**

For Period Ending 29th February 2012

	2011/2012 £,000's Current Budget	2011/2012 £,000's Actuals	2011/2012 £,000's Forecast Outturn	Variance	RAG Status
<b>INCOME</b>					
Rents - Dwellings Only	-44,753	-32,626	-44,771	-18	
Rents - Non Dwellings Only	-1,134	-904	-1,112	22	
Service Charges	-1,450	-629	-1,453	-4	
Other Income	-25	21	-25	0	
<b>Total Income</b>	<b>-47,361</b>	<b>-34,138</b>	<b>-47,361</b>	<b>1</b>	<b>G</b>
<b>EXPENDITURE</b>					
Repairs and Maintenance	10,251	9,113	10,487	237	
General Management	5,195	4,430	5,364	169	
Special Services	2,843	2,197	2,664	-180	
Rents, Rates, Taxes & Other Charges	87	-6	87	0	
Increase in Bad Debt Provision	450	367	400	-50	
Rent Rebate Subsidy Deductions	811	743	811	0	
Housing Revenue Account Subsidy	12,737	11,043	12,047	-690	
<b>Total Expenditure</b>	<b>32,374</b>	<b>27,886</b>	<b>31,860</b>	<b>-514</b>	<b>B</b>
<b>Net Cost of Services</b>	<b>-14,987</b>	<b>-6,251</b>	<b>-15,500</b>	<b>-513</b>	<b>B</b>
Net Recharges	4,856	4,250	4,636	-220	
Interest & Financing Costs	262	153	167	-95	
Depreciation/MRA	8,161	7,481	8,161	0	
Contribution to Earmarked Reserves	1,708	2,227	2,429	721	
<b>Net Transfer From / (To) Working Balance</b>	<b>0</b>	<b>7,859</b>	<b>-107</b>	<b>-107</b>	<b>B</b>
Working Balance b/f	-4,893	-4,893	-4,893	0	
<b>Working Balance Outturn</b>	<b>-4,893</b>	<b>2,966</b>	<b>-5,000</b>	<b>-107</b>	<b>B</b>

**Notes on Forecast Variances**

Repairs and Maintenance

Largely reflects increased employee costs that relate to posts to support the Capital programme and are offset by reduced recharges below. Also, less corporate work carried out, resulting in lower income from the General Fund.

General Management

Various - including additional costs in relation to IT system upgrades, trainee schemes and employee costs.

Special Services

Lower costs incurred on utilities and maintenance of communal areas. Also reflects lower staff costs than budgeted.

Increase in Bad Debt Provision

Lower arrears levels than anticipated. Hence, a reduced requirement to provide for bad debts.

HRA Subsidy

Adjustments to Capital Allowances have reduced the payment required to Central Government. The amount payable is determined by a formula set out by the the Dept for Communities and Local Government.

Net Recharges

Some employee costs have been attributed to Capital Schemes. This is reflected in the lower level of net recharges.

In addition, projected savings within the Central Support Services will result in lower costs attributable to the HRA.

Interest & Financing Costs

HRA cash balances being higher than budgeted and investment rates achieved out performing the budgeted rate.

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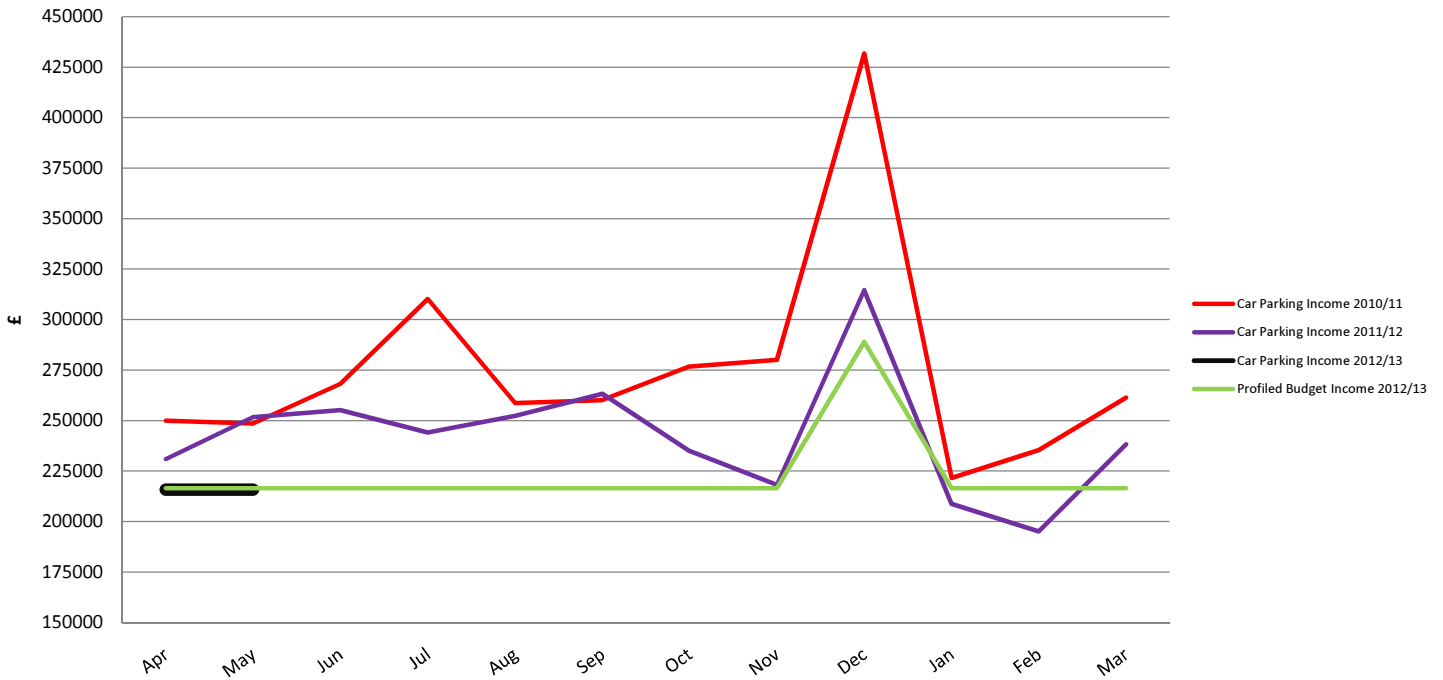
# HRA CAPITAL

Project Code & Project Description	Approved Budget February 2011	Approved Changes In Year	Latest Approved Budgets	YTD Actual Expenditure	Forecasted Year End Spend	Forecasted - Underspend / +Overspend for Year End	Budget Carried Forward	Forecast Variance RAG	Carry forward RAG
	A	B	C=A+B	D	E	F=E-C	G		
	£	£	£	£	£	£	£		
<b>Christine Ansell (CA3)</b>									
BH003 - Garages Roofs & Doors Replacement	40,000	-20,000	20,000	14,799	20,000	0	20,000	G	R
BH009 - Fire Safety Works - communal areas	200,000	123,958	323,958	317,845	323,958	0	0	G	G
BH011 - Capital Improvement Works	0	100,000	100,000	100,482	100,000	0	0	G	G
BH013 - Digital Aerial Upgrade	10,000	13,010	23,010	28,024	23,010	0	0	G	G
BH014 - Estate Regeneration	160,000	-49,694	110,306	17,254	110,306	0	105,000	G	R
BH019 - Window Restrictors	0	4,892	4,892	4,891	4,892	0	26,283	G	R
BH020 - Periodical Electrical Works	125,000	85,000	210,000	80,918	210,000	0	28,586	G	A
BH021 - New Communal Boilers	150,000	110,000	260,000	151,392	260,000	0	0	G	G
BH022 - Community Energy Savings Programme (CESP)	0	950	950	950	950	0	726,828	G	R
BH023 - External Gas Supply Replacement	0	100,000	100,000	60,435	100,000	0	0	G	G
BH140 - Disabled Grant - Major Repairs	1,000,000	705,611	1,705,611	1,551,245	1,705,611	0	0	G	G
BH302 - Disabled Alterations Capital Schemes	140,000	27,986	167,986	71,593	167,986	0	0	G	G
BH304 - Complete Roofs	500,000	218,691	718,691	356,823	718,691	0	115,000	G	R
BH305 - Structural Surveys & Repairs (Red CRiteria)	200,000	18,975	218,975	212,818	218,975	0	0	G	G
BH317 - Decent Homes and Poor Condition Improvement	14,123,000	-1,739,643	12,383,357	10,106,493	12,383,357	0	0	G	G
BH321 - Door & Window Replacement	20,000	6,732	26,732	24,698	26,732	0	0	G	G
BH324 - Gas Appliance Replacement - Planned Ptrnship	500,000	1,600,400	2,100,400	2,013,661	2,100,400	0	0	G	G
BH325 - Gas Appliance Replacement - Responsive	500,000	9,456	509,456	582,444	509,456	0	0	G	G
BH329 - Health & Safety Capital Schemes	100,000	3,418	103,418	105,737	103,418	0	0	G	G
BH336 - Cooper Street Housing	0	0	0	-245	0	0	0	G	G
BH338 - Capital Voids	1,000,000	0	1,000,000	676,943	1,000,000	0	0	G	G
BH345 - Kitchen replacement	500,000	79,886	579,886	579,886	579,886	0	40,708	G	A
BH351 - Door Entry Updates	100,000	203,285	303,285	174,226	303,285	0	0	G	G
BH354 - Lift Refurbishment	180,000	87,216	267,216	248,836	267,216	0	0	G	G
BH364 - Environmental enhancements to housing land	200,000	55,228	255,228	124,201	255,228	0	61,000	G	R
<b>Total for Head of Landlord Services</b>	<b>19,748,000</b>	<b>1,745,357</b>	<b>21,493,357</b>	<b>17,606,348</b>	<b>21,493,357</b>	<b>0</b>	<b>1,123,405</b>	<b>G</b>	<b>A</b>
<b>Fran Rodgers (FR2)</b>									
BA742 - Housing Systems Replacement (FISH)	0	88,850	88,850	83,195	88,850	0	0	G	G
BH006 - Woodside Way New Build	0	0	0	-15,996	0	0	0	G	G
<b>Total for Head of Strategic Housing</b>	<b>0</b>	<b>88,850</b>	<b>88,850</b>	<b>67,199</b>	<b>88,850</b>	<b>0</b>	<b>0</b>	<b>G</b>	<b>G</b>
<b>TOTALS</b>	<b>19,748,000</b>	<b>1,834,207</b>	<b>21,582,207</b>	<b>17,673,547</b>	<b>21,582,207</b>	<b>0</b>	<b>1,123,405</b>	<b>G</b>	<b>A</b>

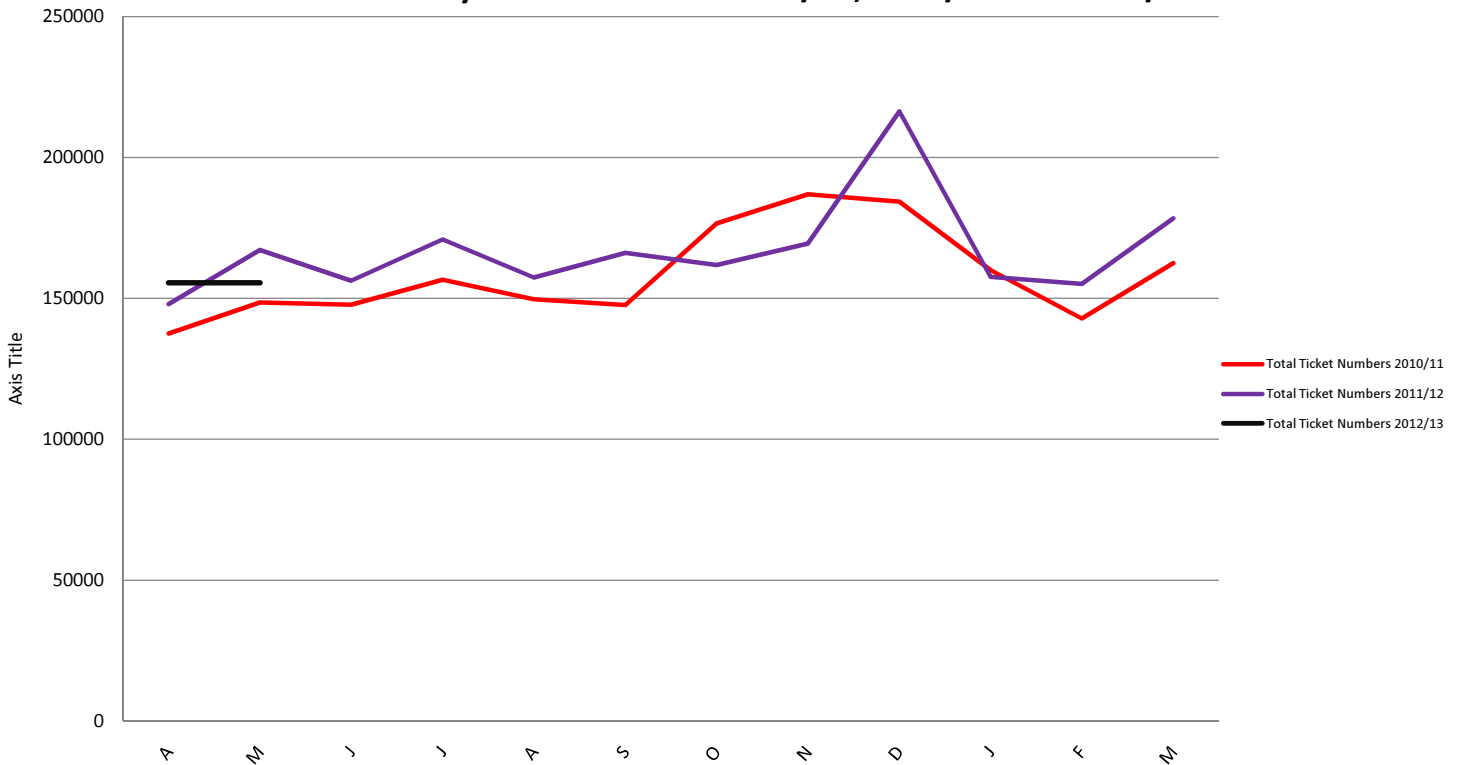
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### Total Daily Ticket Income 2010/11, 2011/12 and 2012/13



### Total Summary Ticket Numbers 2010/11, 2011/12 and 2012/13



The final income figure for daily tickets in 2011/12 is £2,906,909 against a budget of £3,225,978 providing a shortfall of £319,069.

The income received is £24k higher than the estimate of £2,883,000 provided in February.

2011/12 income is £395k less than 2010/11.

The volume of ticket numbers in 2011/12 is 2,004,762 which is 104k higher than 2010/11.

The budget for 12/13 for Car Parking Daily Ticket Income is £2,670,978.

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## Managed Debt Analysis 2011/12

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
<b>TOTAL ARREARS</b>	<b>19,131,164</b>	<b>18,858,181</b>	<b>17,853,179</b>	<b>18,300,059</b>	<b>17,543,736</b>	<b>16,546,113</b>	<b>15,932,430</b>	<b>15,980,705</b>	<b>15,045,254</b>	<b>14,377,143</b>	<b>12,775,573</b>	<b>13,716,504</b>
Awaiting Action	1,471,740	1,344,078	1,130,890	1,194,846	1,095,421	1,003,148	1,021,854	559,935	691,782	689,849	385,556	607,440
Debt in Progress	17,659,424	17,514,103	16,722,289	17,105,213	16,448,315	15,542,965	14,910,576	15,421,860	14,353,472	13,687,294	12,390,013	13,109,064
% Inactive debt [PI]	<b>7.69%</b>	<b>7.13%</b>	<b>6.33%</b>	<b>6.53%</b>	<b>6.24%</b>	<b>6.06%</b>	<b>6.41%</b>	<b>3.50%</b>	<b>4.60%</b>	<b>4.80%</b>	<b>3.02%</b>	<b>4.43%</b>
<b>CTAX</b>	<b>9,861,308</b>	<b>9,312,254</b>	<b>8,965,583</b>	<b>8,798,626</b>	<b>8,317,736</b>	<b>7,900,988</b>	<b>7,674,697</b>	<b>7,507,756</b>	<b>7,276,413</b>	<b>6,803,605</b>	<b>6,510,454</b>	<b>6,219,947</b>
Inactive	388,267	302,148	357,223	330,884	338,801	384,974	444,410	148,845	144,914	92,342	71,719	57,718
In progress	9,473,041	9,010,106	8,608,360	8,467,742	7,978,935	7,516,014	7,230,287	7,358,911	7,131,499	6,711,263	6,438,734	6,162,229
Inactive debt	<b>3.94%</b>	<b>3.24%</b>	<b>3.98%</b>	<b>3.76%</b>	<b>4.07%</b>	<b>4.87%</b>	<b>5.79%</b>	<b>1.98%</b>	<b>1.99%</b>	<b>1.36%</b>	<b>1.10%</b>	<b>0.93%</b>
<b>NNDR</b>	<b>2,523,997</b>	<b>2,419,223</b>	<b>1,949,323</b>	<b>2,031,969</b>	<b>1,624,011</b>	<b>1,483,784</b>	<b>1,274,408</b>	<b>1,225,782</b>	<b>1,149,308</b>	<b>919,808</b>	<b>912,303</b>	<b>986,230</b>
Inactive	0	0	0	0	0	0	0	0	0	0	0	0
In progress	2,523,997	2,419,223	1,949,323	2,031,969	1,624,011	1,483,784	1,274,408	1,225,782	1,149,308	919,808	912,303	986,230
Inactive debt	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>FTA</b>	<b>1,414,084</b>	<b>1,390,874</b>	<b>1,422,396</b>	<b>1,400,314</b>	<b>1,417,501</b>	<b>1,347,224</b>	<b>1,357,274</b>	<b>1,396,226</b>	<b>1,316,119</b>	<b>1,299,013</b>	<b>Not Avail</b>	<b>1,266,731</b>
Inactive	121,473	112,976	157,715	191,959	154,045	145,330	138,673	127,052	102,122	214,399	Not Avail	173,231
In progress	1,292,611	1,277,898	1,264,681	1,208,355	1,263,456	1,201,894	1,218,601	1,269,173	1,213,996	1,084,613	Not Avail	1,093,501
Inactive debt	<b>8.59%</b>	<b>8.12%</b>	<b>11.09%</b>	<b>13.71%</b>	<b>10.87%</b>	<b>10.79%</b>	<b>10.22%</b>	<b>9.10%</b>	<b>7.76%</b>	<b>16.50%</b>	<b>Not Avail</b>	<b>13.68%</b>
<b>HBOP</b>	<b>4,078,858</b>	<b>4,132,484</b>	<b>4,281,919</b>	<b>4,245,479</b>	<b>4,283,298</b>	<b>4,323,498</b>	<b>4,275,001</b>	<b>4,282,775</b>	<b>4,217,375</b>	<b>4,268,678</b>	<b>4,266,777</b>	<b>4,157,557</b>
Inactive	365,030	300,500	351,403	363,711	319,252	361,588	192,674	184,294	371,672	310,033	240,767	303,417
In progress	3,713,828	3,831,984	3,930,515	3,881,768	3,964,046	3,961,910	4,082,328	4,098,481	3,845,703	3,958,645	4,026,010	3,854,140
Inactive debt	<b>8.95%</b>	<b>7.27%</b>	<b>8.21%</b>	<b>8.57%</b>	<b>7.45%</b>	<b>8.36%</b>	<b>4.51%</b>	<b>4.30%</b>	<b>8.81%</b>	<b>7.26%</b>	<b>5.64%</b>	<b>7.30%</b>
<b>SD</b>	<b>1,252,917</b>	<b>1,603,346</b>	<b>1,233,958</b>	<b>1,823,673</b>	<b>1,901,189</b>	<b>1,490,617</b>	<b>1,351,049</b>	<b>1,569,256</b>	<b>1,086,039</b>	<b>1,086,039</b>	<b>1,086,039</b>	<b>1,086,039</b>
Inactive	596,969	628,454	264,548	308,293	283,323	111,255	246,097	99,744	73,074	73,074	73,074	73,074
In progress	655,948	974,892	969,410	1,515,380	1,617,866	1,379,362	1,104,952	1,469,512	1,012,965	1,012,965	1,012,965	1,012,965
Inactive debt	<b>47.65%</b>	<b>39.20%</b>	<b>21.44%</b>	<b>16.91%</b>	<b>14.90%</b>	<b>7.46%</b>	<b>18.22%</b>	<b>6.36%</b>	<b>6.73%</b>	<b>6.73%</b>	<b>6.73%</b>	<b>6.73%</b>

- Overall debt levels as at 31<sup>st</sup> March 2012  
 Unmanaged debt is £554.4k (3.52%) less than at the end of March 2011. The overall outstanding arrears are £899.9k less than at the same point last year.
- Council Tax as at 31<sup>st</sup> March 2012  
 Unmanaged debt is £285.4 less than the same time last year. The overall outstanding arrears are £586.6k less than at the same point last year.
- Business Rates as at 31<sup>st</sup> March 2012  
 Unmanaged debt remains unchanged. The overall outstanding arrears are £277.5k less than at the same point last year.
- Former Tenant Arrears as at 31<sup>st</sup> March 2012  
 Unmanaged debt is £69.8k more than the same time last year, primarily this is due to the increase in cases requiring court action, over one month old. The overall outstanding arrears are £129.3k less than at the same point last year.
- Housing Benefit Overpayments Payments as at 31<sup>st</sup> March 2012  
 Unmanaged debt is £33.4k more than the same time last year, primarily this is due to the increase in cases requiring court action, over one month old. The overall outstanding arrears are £83.9k more than at the same point last year. Whilst income collection is above target, these cases remain very difficult to collect and the increase in our rent allowance caseload of 50% has impacted on the debt levels in this area. Benchmarking with similar sized Councils reflects the trend at Northampton.
- Sundry Debts as at 31<sup>st</sup> March 2012  
 Unmanaged debt is £372.1k less than the same time last year. The overall outstanding arrears are £0.3k less than at the same point last year.
- Priority Debts March 2012  
 As a result of priority debt as defined by the Corporate Debt Policy we now have £342.4k on hold awaiting clearance of priority debts. This is broadly broken down as FTA £148.4, IRAS £81k and OPHB £113.0. As more cases reach consideration for court action this category of debt pending other priority debt will increase.

Appendices: 2



**NORTHAMPTON**  
BOROUGH COUNCIL

## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Internal Audit Progress Report and draft annual report for 2012/13</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	21 <sup>st</sup> May 2012
<b>Policy Document:</b>	No
<b>Directorate:</b>	Resources
<b>Accountable Cabinet Member:</b>	Cllr Alan Bottwood

### 1. Purpose

- 1.1 To provide the Audit Committee with a report summarising progress made against the approved internal audit plan for 2011/12 and the draft annual internal audit report.

### 2. Recommendations

- 2.1 To receive the report.

### 3. Issues and Choices

#### 3.1 Report Background

- 3.1.1 The report is produced to inform the Committee on internal audit activity in the current year up to the date of the Committee meeting and to provide the draft annual internal report for the year.

#### 3.2 Issues

- 3.2.1 As detailed in the report.

#### 3.3 Choices (Options)

- 3.3.1 None

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

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### **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 Resources and Head of Finance and Resources

### **4.6 Other Implications**

4.6.1 N/a

## **5. Background Papers**

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5.1 Appendices to the report

- Appendix 1 – Internal Audit Progress Report
- Appendix 2 – Draft Annual Internal Audit Report.

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

# *Internal Audit Annual Report 2011/2012*

Northampton Borough  
Council

May 2012

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<b>Distribution List</b>
Corporate Management Team
Audit Committee

This document has been prepared only for Northampton Borough Council and solely for the purpose and on the terms agreed with Northampton Borough Council.



# ***1. Executive summary***

## ***Background***

The CIPFA Audit Code of Practice requires that the Head of Internal Audit provides a written report to the Audit Committee, timed to inform the organisation's Annual Governance Statement. This report presents our view on the adequacy and effectiveness of Northampton Borough Council's system of governance, risk management and control.

Whilst this report is a key element of the framework designed to inform the Annual Governance Statement, there are also a number of other important sources to which the Audit Committee and statutory officers should look to gain assurance. This report does not supplant the Audit Committee's responsibility for forming their own view on governance, risk management and control.

This report covers the period to the year ended 31<sup>st</sup> March 2012.

## ***Scope***

Our findings are based on the results of the internal audit work performed as set out in the 2011/12 Internal Audit Plan and subsequent amendments approved by the Audit Committee. All changes have been outlined in our update reports taken to Audit Committee during the year.

Our opinion is subject to the inherent limitations of internal audit (covering both the control environment and the assurance over controls) as set out in Appendix 1.

Our internal audit was performed in accordance with CIPFA's Audit Code of Practice. CIPFA's Audit Code of Practice is not designed or intended to conform to the International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board. As a consequence our work was not designed to comply with the International Standards on Assurance Engagements. Our work was designed to comply with CIPFA's Audit Code of Practice which must be followed for local government.

## ***Opinion***

Our opinion is based solely on our assessment of whether the controls in place support the achievement of management's objectives as set out in our 2011/12 Internal Audit Plan.

We have completed the program of internal audit work for the year ended 31 March. Our work identified 4 high, 30 medium and 38 low rated findings.

During the course of our work, we have also become aware of other issues that we believe could have, or have had an impact upon Northampton Borough Council's system of internal control. Based on the work we have completed, we believe that there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control.

These areas relate to contract governance arrangements specifically for the following contracts:

- Leisure Trust
- Decent Homes
- Environmental Services

For these reviews we identified that more work is required to ensure that contracts are robustly set up, managed and monitored

Other key factors that contributed to our opinion are summarised as follows:

Procurement review identified 2 high risk recommendations, although our follow up review indicated that only 1 high risk point remained outstanding and work had been completed to help mitigate this risk.

Voided review identified 1 high risk recommendations

Performance indicators review identified 1 risk recommendation.

Please refer to Section 2, Summary of Findings for details.

We are pleased to note that the majority of functions audited in 2012/13 were low risk and that no functions audited in the previous year had worse control than in 2011/12. Four of the five core financial systems were rated as low risk. The direction of control graphic on page 11 clearly demonstrates the overall improvements in control at the Council.

A summary of the key findings are described in further detail on page 4 to 7

## *Acknowledgement*

We would like to take this opportunity to thank all Directors, Heads of Service and members of the Audit Committee for their co-operation and assistance provided during the year.

## 2. Summary of findings

Our annual internal audit report is timed to inform the organisation's Annual Governance Statement.

A summary of key findings from our programme of internal audit work for the year work is recorded in the table below:

Description	Detail
<p><b>Overview</b></p> <p>We completed 31 internal audit reviews (including value enhancement reviews). This resulted in the identification of 0 critical, 4 high, 30 medium and 38 low risk findings to improve weaknesses in the design of controls or operating effectiveness.</p>	<ul style="list-style-type: none"> <li>• Our audit plan was scoped to address the Council's key risks and strategic objectives. We mapped each review to these areas in our 2011/12 Internal Audit plan</li> <li>• We have completed our internal audit plan in line with the set timescales. We have delivered training on fraud awareness in year.</li> <li>• Our plan included 10 "value enhancement" reviews:               <ul style="list-style-type: none"> <li>○ HRA Business Plan Assumptions</li> <li>○ Environmental Services Contract Review</li> <li>○ Leisure Trust Contract Review</li> <li>○ Decent Homes Contract Review Governance survey</li> <li>○ Anti-fraud awareness training</li> <li>○ Audit Committee effectiveness training</li> <li>○ Anti-fraud health check</li> <li>○ IT benchmarking review</li> <li>○ Progression related pay</li> </ul> </li> </ul>
<p><b>Internal Control Issues</b></p> <p>During the course of our work we identified 4 high risk issues which have been outlined in the next cell. Given the materiality of these systems (Procurement, Voids and Performance Indicators) to the Council, you should consider inclusion of these areas in your Annual Governance Statement.</p>	<p>The following high risk areas have been raised in 2011/12:</p> <p><b>Procurement</b></p> <p>The procurement review (<b>11_12 NBC Procurement 01</b>) was conducted following a management request for internal audit assistance. The procurement function became the responsibility of the finance function from the 1<sup>st</sup> April 2011 following a restructure. The procurement audit was designed to assess the design and operation of controls within procurement and provide recommendations to help management improve these controls where necessary.</p> <p>We identified two high risk findings:</p> <p>Signed copies of contracts selected for testing could not be located by the services responsible for managing the contracts.</p> <p>Sample testing of procurement transactions pointed to a number of issues with cases tested; for example members of staff ordering goods often did not obtain the minimum required number of quotations, or comply fully with tender</p>

Description	Detail
	<p>processes prior to purchasing goods or services. This leads to increased risks of poor value for money and inappropriate or unauthorised transactions.</p> <p>A follow up of the Procurement recommendations raised was conducted at the request of Management in March 2012. In total we identified 17 actions related to the 3 findings in the original report of which 11 were implemented, 5 were outstanding and 1 was no longer relevant. Of the 5 recommendation outstanding, 1 was high risk, 2 medium risk and 2 low risk.</p> <p>The open high risk issue relates to the compliance with the tender processes and training the relevant staff. A training package has now been produced by developing a lesson already developed by Milton Keynes Council.</p> <p>This is yet to be rolled out in the Authority and therefore staff have not yet completed the training or signed the declaration that they understand the procurement requirements and will adhere to them.</p> <p>However this risk has been mitigated to some extent through the delivery of high level procurement training at the Managers meeting, targeting everyone from team leader and above.</p> <p>The procurement team also routinely attend senior management team meetings to pick up any control issues and to reinforce the process</p> <p><b>Voids</b></p> <p>The void properties review (<b>11_12 NBC Voids 02</b>) focussed on controls in place over the management of void council houses. The review focussed on void operational management, void management information and cost control. We identified one high finding, that management information on voids is undermined because data on the Integrated Business Solutions (IBS) housing system is wrong in a number of cases and unlettable periods have been calculated incorrectly. This makes the Council's performance look better than it actually is. The root cause is that IBS is not updated fully when properties become lettable following unlettable periods, such as when major works have occurred.</p> <p><b>Performance Indicators</b></p> <p>The Council sets housing performance indicators to assess their performance against a number of qualitative and quantitative targets. This review looked to understand and comment on the quality of data collated by the Council for measurement of performance.</p> <p>The following work was been performed for each indicator:</p> <ul style="list-style-type: none"> <li>• Review of procedure notes and definition records;</li> <li>• Assessment of the method of collection against key data quality assertions (completeness, accuracy, source, validity, collection method and timing);</li> </ul>

Description	Detail
	<ul style="list-style-type: none"> <li>• For HMCORE and HMOTH indicators, the compilation method was reviewed against relevant HouseMark guidance to ensure compliance; and</li> <li>• Validation of a sample of data. A sample of 10 transactions was selected from 2011/12 Q1 and Q2 submissions. Validation was only performed on those indicators where no issues have been noted with the compilation method</li> </ul> <p>The performance indicators report (<b>11_12 NBC Performance Indicators 12</b>) identified one high risk finding:</p> <p>For indicator HI 16 Average number of days taken to resolve ASB cases, The start and end dates days for cases used to calculate this indicator should be supported by evidence to verify the case has been opened/closed (e.g. telephone notes or letters issued). In 4/10 cases tested, the dates used to calculate the days did not agree to supporting documentation. It has been established this is because officers are not always certain of the correct trigger for the start date (i.e. the initial contact or when the case was brought to the attention of the Council) In a further 5 cases, there was no evidence retained to support the dates. This is because no paper file was opened when the initial complaint was received.</p>
<p><b>Other weaknesses</b></p> <p>Other weaknesses were identified within the organisation's governance, risk management and internal control, which relate to consistency of control design and follow up of prior year recommendations.</p>	<p>Our reviews identified the following common areas of weakness that should be considered by management:</p> <ul style="list-style-type: none"> <li>• Our review of a number of the Council's contracts identified that more work is required to ensure that contracts are robustly set up, managed and monitored. We identified concerns around the governance arrangements for the following contracts: <ul style="list-style-type: none"> <li>• Leisure Trust</li> <li>• Decent Homes</li> <li>• Environmental Services</li> </ul> </li> </ul> <p>A number of recommendations were identified within these three reviews. The Council should learn lessons from these contracts in order to ensure that in future significant contracts are set up and managed appropriately.</p>
<p><b>Good practice</b></p> <p>We also identified a number of areas where few weaknesses were identified and / or areas of good practice.</p>	<p>The following reviews were classified as low risk for 2011/12:</p> <ul style="list-style-type: none"> <li>• <b>Risk Management and Business Continuity</b></li> <li>• <b>Treasury Management</b></li> <li>• <b>Budgetary Control</b></li> <li>• <b>General Ledger (part of core financial systems review)</b></li> <li>• <b>Debtors(part of core financial systems review)</b></li> <li>• <b>Creditors (Agresso) (part of core financial</b></li> </ul>

<i>Description</i>	<i>Detail</i>
	<p><b>systems review)</b></p> <ul style="list-style-type: none"> <li>• <b>Fixed Assets</b></li> <li>• <b>Cash and Banking(part of core financial systems review)</b></li> <li>• <b>Expenses</b></li> <li>• <b>Housing Benefits</b></li> <li>• <b>Housing Rents</b></li> <li>• <b>Debt Recovery</b></li> <li>• <b>Human Resources – Induction Training</b></li> <li>• <b>Planning applications</b></li> <li>• <b>Regeneration and Development – Development governance</b></li> </ul>

# ***3. Internal Audit work conducted***













## ***Introduction***

Our internal audit work was conducted in accordance with our letter of engagement, CIPFA's Audit Code of Practice and the 2011/12 Internal Audit Plan.




The table below sets out the results of our internal audit work and implications for next year's plan. The direction of travel is also analysed so management can consider whether they should take action to reverse a trend or address stagnation.

We also include a comparison between planned internal audit activity and actual activity, to assist with budgeting and forward planning.

## Results of individual assignments

Audit unit	Report status	Direction of Travel	Report classification	Number of findings			
				Critical	High	Medium	Low
<b>Cross Cutting</b>							
Risk Management and Business Continuity	Final		Low Risk	0	0	2	0
Procurement <i>*Please see note below table</i>	Final	No review performed in prior year	High Risk	0	2	1	0
Treasury Management	Final	No review performed in prior year	Low Risk	0	0	0	2
Budgetary Control	Draft		Low Risk	0	0	2	0
General Ledger (part of core financial systems review)	Final		Low Risk	0	0	0	0
Debtors Ledger (part of core financial systems review)	Final		Low Risk	0	0	0	3
Creditors (Agresso) Ledger (part of core financial systems review)	Final		Low Risk	0	0	1	0
Payroll Ledger (part of core financial systems review)	Final			0	0	3	2
Cash and Banking Ledger (part of core financial systems review)	Final		Low Risk	0	0	1	1
Creditors (IBS)	Final		Medium Risk	0	0	3	2
Fixed Assets	Draft		Low Risk	0	0	1	2
Expenses	Final		Low Risk	0	0	1	2
Housing Benefits	Draft		Low Risk	0	0	0	1
Housing rents	Final		Low Risk	0	0	0	0



<i>Audit unit</i>	<i>Report status</i>		<i>Report classification</i>	<i>Number of findings</i>			
Debt Recovery	Final		Low Risk	0	0	0	3
Partnership Arrangements	Draft		Medium Risk	0	0	3	5
<b>Departmental</b>							
Human Resources – Induction Training	Draft	No review performed in prior year	Low Risk	0	0	0	3
Human Resources - Recruitment	Final	No review performed in prior year	Medium Risk	0	0	2	
Strategic Housing - Voids	Final	No review performed in prior year	High Risk	0	1	2	4
Planning applications	Draft		Low Risk	0	0	0	5
Regeneration and Development – Development governance	Final	No review performed in prior year	Low Risk	0	0	0	0
Housing Performance Indicators	Final	No review performed in prior year	N/A no overall rating provided	0	1	8	3
			<b>Total</b>	<b>0</b>	<b>4</b>	<b>30</b>	<b>38</b>






*\*Procurement*

A follow up of the Procurement recommendations raised was conducted at the request of Management. In total there were 17 actions of which 11 were implemented, 5 were outstanding and 1 was no longer relevant. Of the 5 recommendation outstanding, 1 was high risk, 2 medium risk and 2 low risk.

In addition we have carried out the following reviews where no risk rating has been provided.

- HRA Business Plan Assumptions
- Environmental Services Contract Review
- Leisure Trust Contract Review
- Decent Homes Contract Review
- Anti-fraud health check
- Car park review
- IT benchmarking review
- Progression related pay

*Direction of control travel*

Finding rating	Trend between current and prior year	Number of findings	
		2011/12	2010/11
Critical		0	0
High		4	5
Medium		30	62
Low		4	38
<b>Total</b>		72	130

It should be noted that the mix and focus of our internal audit plans have differed between years and therefore these results may not be directly comparable.

*Adjustments to the original agreed audit plan:*

The following adjustments were made to the audit plan agreed at the Audit Committee in March 2012. These have been reported to the Audit Committee during the year.

Review	Additional Days	Reduced days	Comments
<b>Removed from the plan</b>			
Asset Management		-8	Removed from plan - timing for the review is not appropriate at the moment (due to significant changes which have occurred in the Department)
Community Assets		-5	Included in 2012/13 audit plan Community asset programme delayed hence audit input required later  Included in 2012/13 audit plan

Planning - change of scope		-8	<p>Locally set planning fees has been removed as there has yet to be a government decision on this</p> <p>WNDC Development governance removed as CLG are performing a review of this.</p> <p>Instead of the two reviews set out in the plan, a review of the control design and operation of the new planning process (set up for applications previously dealt with by WNDC) will be performed in February (plan updated for this)</p> <p>This had a net effect of reducing the planned days by 8.</p>
<b>Added to the plan</b>			
Debt recovery 2010/11	1		Number of extra meetings and report versions required to finalise this report
Grosvenor Car Parking	3		Specific review of cash collection requested by the Director of Finance and Head of Finance
Performance Indicators	15		Additional audit work requested by Housing department to help validate performance indicators
Total	19	-21	
<b>Grand Total</b>		<b>-2</b>	Net effect of reducing the original agreed planned days by 2.

# *Appendices*

# ***Appendix 1: Limitations and responsibilities***

## ***Limitations inherent to the internal auditor's work***

We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as agreed with management and Audit Committee subject to the limitations outlined below.

### ***Opinion***

The opinion is based solely on the work undertaken as part of the agreed 2011/12 Internal Audit Plan, which provided for 299 days. The work addressed the control objectives agreed for each individual internal audit assignments as set out in our individual assignment reports.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

### ***Internal control:***

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### ***Future periods:***

Our assessment of controls relating to Northampton Borough Council is for the year ended 31<sup>st</sup> March 2012. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

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

The specific time period for each individual internal audit is recorded within section 3 of this report.

## ***Responsibilities of management and internal auditors***

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





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

# Appendix 2: Basis of our classifications

## Report classifications

The report classification is determined by allocating points to each of the findings included in the report

<i>Findings rating</i>	<i>Points</i>
<i>Critical</i>	40 points per finding
<i>High</i>	10 points per finding
<i>Medium</i>	3 points per finding
<i>Low</i>	1 point per finding

<i>Report classification</i>		<i>Points</i>
	Critical risk	40 points and over
	High risk	16– 39 points
	Medium risk	7– 15 points
	Low risk	6 points or less

## Individual finding ratings

<i>Finding rating</i>	<i>Assessment rationale</i>
<b>Critical</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance (quantify if possible); or</li> <li>• <b>Critical</b> monetary or financial statement impact (quantify if possible = materiality); or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences (quantify if possible); or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability (quantify if possible).</li> </ul>
<b>High</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance (quantify if possible); or</li> <li>• <b>Significant</b> monetary or financial statement impact (quantify if possible); or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences (quantify if possible); or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation (quantify if possible).</li> </ul>
<b>Medium</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance (quantify if possible); or</li> <li>• <b>Moderate</b> monetary or financial statement impact (quantify if possible); or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences (quantify if possible); or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation (quantify if possible).</li> </ul>
<b>Low</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance (quantify if possible); or</li> <li>• <b>Minor</b> monetary or financial statement impact (quantify if possible); or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences (quantify if possible); or</li> <li>• <b>Minor</b> impact on the reputation of the organisation (quantify if possible).</li> </ul>
<b>Advisory</b>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>



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# Agenda Item 10

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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