

Appendices



Item No.
[Item number and
title as on agenda]

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Internal audit progress report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	11 January 2010
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	Councillor David Perkins

1. Purpose

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

2. Recommendations

2.1 Receive the report.

3. Issues and Choices

3.1 Report Background

3.1.1 Introduction

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

3.1.2 Plan Outturn

We have undertaken work in accordance with the 2009/10 Internal Audit Plan which was presented to and approved by the Audit Committee at its meeting in February 2009.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. This shows that we have delivered over two thirds of the agreed plan and have either planned or are in the process of scoping work for the remaining reviews.

In addition we have undertaken a specific review of Cash Collection focusing on the controls and processes put into place from September 2009 where G4 Security has been tasked with the collection and banking of income.

At the request of management we have deferred the review of Performance Management as this area has been subject to other review.

Discussions are now underway with the Head of Finance regarding the internal audit plan for 2010/11 and the draft plan will be presented, alongside the draft annual internal audit report for 2009/10 at the March Audit Committee meeting.

We are also aware that the Authority has been included within a review being undertaken by the Audit Commission in relation to the implementation of International Financial Reporting Standards (IFRS). As such we are awaiting the outcome of this review prior to planning or undertaking any work in this area in order to avoid any potential duplication.

3.1.3 Reporting and activity progress

Final reports

The following audit reports are to be issued in final shortly and will be distributed to members of the Audit Committee once finalised. Management responses have been received in relation to these reports, but a few minor amendments and changes have been requested prior to us being able to issue as final reports.

In addition a significant amount of audit work has been performed in November and December 2009 and a number of audit reports issued in draft. We are currently liaising with management to obtain responses for these reports and they will be issued as finals prior to the March 2010 Audit Committee.

- **09_10 NBC 04 Grounds Maintenance** – The review focussed upon the level of control in place over identifying works to be undertaken, completion of works, allocation and collection of costs incurred and an assessment of value for money. Overall we identified 7 weaknesses with 3 being assessed as High Risk. As such we gave **No assurance** over the system and controls in place. Details of the 3 High Risk issues identified are shown below:

- The Authority does not have in place a system to accurately detail each of the tasks currently being performed by the Grounds Maintenance Department, along with an associated cost and the quality specification being worked to.

As such given that consideration is being given to market testing this service, any comparison of like for like costs may be difficult.

- The Department does not have in place a schedule of all work to be performed during the year along with the timing and frequency of the work, time allocated to completing it and any monitoring against this.

As such it is difficult to assess how well staff are being utilised given the work they have performed and the costs being incurred when performing specific tasks.

- During our review of the Grounds Maintenance budget it was noted that already there is an expected overspend of nearly £180,000 with no savings yet identified in relation to how this can be reduced.

Within this the current overtime budget was also showing a forecasted overspend of £30,000.

In addition during our review we identified the following issues in relation to value for money:

- No preferred supplier list and instances noted where quotations are not being obtained;
 - No scheduling or performance management of work being performed; and
 - Budgetary overspend forecast.
- **09_10 NBC 07 Legal Services** – The review focused on the systems and processes in place within the Legal Services function for ensuring that adequate control is exercised over contracts placed and governance arrangements. Overall we were able to give a **Moderate** level of assurance, although we did identify 5 weaknesses, 1 of which has been assessed as High Risk and is shown below:
 - At the time of audit, the Authority had not yet implemented a comprehensive contracts register. This was originally raised as an audit recommendation in 2007/08.

Through discussion with Procurement and the Legal Department it was determined that both services are aware of the need to merge records to develop a comprehensive record but at the time of our review this had not taken place
 - **09_10 NBC 09 Risk Management & Business Continuity** – Our review focussed upon the arrangements in place at the Authority in order to manage risks and ensure business continuity in the event of an unforeseen event disrupting services. Considerable strides have been taken at the Authority in relation to Risk Management and Business Continuity Planning since the appointment of the Risk and Business Continuity Manager. Not only is there a greater appreciation of Risk Management and Business Continuity at the Corporate level, but Service Level involvement has also increased. As such there has been more meaningful evaluation of risks and business continuity at this level and service plans put in place to manage risks. It is appreciated that further work is still required, but a

number of actions are already planned or in progress and it is anticipated that these will address many of the issues identified within our report. Overall 14 weaknesses were identified all of which have been assessed as medium or low risk. As such we were able to give a **Moderate** level of assurance over the systems and controls in place.

2009/10 Draft reports:

We have issued the following reports in draft format and are awaiting management responses. These reports will be finalised prior to the March 2010 Audit Committee Meeting:-

- 09_10 NBC 05 Freedom of Information and Data Protection (Follow up)
- 09_10 NBC 06 VAT (Follow up)
- 09_10 NBC 10 General Ledger
- 09_10 NBC 11 Cash Collection
- 09_10 NBC 12 Debtors
- 09_10 NBC 13 Creditors
- 09_10 NBC 14 Housing Rents
- 09_10 NBC 15 Treasury Management
- 09_10 NBC 17 Council Tax

2009/10 Fieldwork completed

We have also recently completed our fieldwork in the following areas:-

- Payroll
- Budgetary Control
- Bank Reconciliations
- PAYE
- Partnerships

3.2 Issues

3.2.1 As detailed in the report

3.3 Choices (Options)

3.3.1 N/a

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

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

4.3 Legal

4.3.1 N/a

4.4 Equality

4.4.1 N/a

4.5 Consultees (Internal and External)

4.5.1 Director of Finance and Support and Head of Finance

4.6 Other Implications

4.6.1 N/a

5. Background Papers

5.1 Appendices to the report

- Appendix 1 - Progress against approved plan
- Appendix 2 – Summary of recommendations made
- Appendix 3 – TeamCentral report extracts

5.2 Other individual internal audit reports are available if required.

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