

# *Internal Audit Progress Report*

Northampton  
Borough Council

March 2015



**pwc**

## ***Introduction***

We are committed to keeping the Audit Committee up to date with internal audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention matters that are relevant to your responsibilities as members of the Authority's Audit Committee.

## ***2014/15 audit plan***

An initial draft audit plan was presented to the Audit Committee in May 2014. Following input from the Chief Executive, a revised draft plan was presented in July. This was taken to the Management Board Meeting in October 2014 and the final draft plan was approved by the Audit Committee in November 2014.

Since then we have undertaken work in accordance with the plan. An outturn statement detailing assignments activity for the year to date is shown in Appendix One.

## ***Activity and Progress***

### ***Engagement with senior personnel***

We have met with responsible parties to monitor progress, highlight any issues and plan for the delivery of the remaining elements of the audit plan. This has involved the following meetings:

- 19/11/14 – meeting with Francis Fernandes
- 17/12/14 – meeting with Francis Fernandes
- 19/1/15 – meeting with Kelly Watson
- 3/3/15 – meeting with Francis Fernandes

### ***Availability of information for audit***

Since the internal audit plan was approved we have experienced significant delays in delivery of the Directorate and Financial Delegations review due to difficulties in obtaining the information requested from both NBC and LGSS on a timely basis. Where information has been provided this has often been received outside of our agreed timescale for the review and has not been supported by adequate explanations or access to supporting documents to evidence the application of relevant controls.

### ***Draft reports***

Draft reports have been issued and are with management for review for the following areas:

- Good Governance questionnaire
- Data protection compliance review

### ***Work in progress***

Draft reports are being prepared / fieldwork is in progress in the following areas:

- Risk management / business continuity
- Environmental Services contract review
- Directorate Review – Customers & Communities (refer Appendix 2)
- Directorate Review – Regeneration, Enterprise and Planning (refer Appendix 2)
- Financial delegations

## *Planned reviews*

Fieldwork has been planned for the following reviews:

- Section 151 officer review

## *Proposed changes to the 2014/15 audit plan*

The audit plan was approved by the Audit Committee in November 2014. We have continued to review the plan to ensure that it is focused on Northampton Borough Council's risks. On that basis, we have made the following revisions to the November 2014 Audit Plan as outlined below:

- Directorate Review: Housing - Following the transfer of housing stock to Northamptonshire Partnership Homes (NPH) in January 2015, our internal audit review of Housing is no longer within the scope of our audit plan. We intend to reflect this in our annual report and encourage the Council to obtain assurance from NPH auditors over the risk management, internal control and governance of its operations.
- Procurement review – having held the scoping meeting to identify potential risks in this area it was identified that the main area of concern related to the management override of procurement controls through the use of contract waivers. This has been considered as part of the Financial Delegations review. It is considered most effective to address the risks identified through the completion of the Financial Delegations review. The procurement process is managed by the LGSS.
- Recruitment and Insurance reviews – having held scoping meetings with the Monitoring Officer it is understood that the majority of these processes fall within the remit of LGSS. We have considered the processes involved with recruitment as part of our directorate governance reviews. Owing to the delays experienced in approving the annual audit plan and timescale before the year end these reviews will not be considered as part of the 2014/15 internal audit work performed.

We have also changed the scope of work to be undertaken as part of the Directorate reviews. See Appendix 2 for more details.

## *Previously agreed changes to the 2014/15 audit plan*

- LGSS contract follow up review – at the request of the Monitoring Officer this review has been put on hold until a responsible person has been recruited and established in post. The Council are currently trying to recruit for this post, which will sit within the Borough Secretary Directorate, however it is unclear when this will be.
- Information Governance and Data Protection compliance reviews – these reviews are defined separately on the Audit Plan, however it is considered most effective to combine these reviews into one review and complete on this basis. The audit days will remain the same.

# Appendix 1 - Internal audit progress

Auditable Unit	Actual days / planned days	Status	Comments
<b>Cross Cutting Processes – Governance, Risk Management and Compliance</b>			
Risk management and business continuity	3 / 30	Scope of work agreed	22/1/15 initial scoping meeting held with Jennie Daughtry (PwC), Francis Fernandes and Silvina Katz (NBC)
Information Governance: Data Protection		Draft report issued	Draft report issued
Financial delegations and exemptions	60 / 80	In progress	Fieldwork started January 2015. Testing sample selected and awaiting evidence to be provided.
Corporate fraud		Not started	Terms of reference drafted, scoping meeting to be arranged
Governance questionnaire and follow up	12 / 12	Draft report issued	Draft report issued 5/2/15. Only 21 people (31%) responded to the questionnaire therefore making it difficult to draw any meaningful conclusions.
<b>Contracted services</b>			
LGSS contract management		On hold	Review on hold until responsible person appointed
Section 151 officer review	4/28	Scope of work agreed	Opening meeting to be held 16/03/15
Environmental Services Contract	3 / 20	Scope of work agreed	Fieldwork to start w/c 9 March
<b>Directorate Governance and Accountability</b>			
Regeneration, Enterprise and Planning	15 / 15	In progress	Refer Appendix 2
Customers and Communities	15 / 15	In progress	Refer Appendix 2
Borough Secretary	2 / 10	Not started	Terms of reference approved. Fieldwork to be arranged

# *Appendix 2 – Directorate reviews*

## *Background*

We planned to examine the controls in place across each Directorate to ensure that the Council's established processes for governance and financial accountability are operating consistently across the organisation and are suitably robust to achieve the Council's objectives. In particular, we wanted to focus on how decisions are made and the procedures which are followed to ensure that decisions are efficient and transparent and in accordance with the Council's Constitution.

## *Scope of work*

The scope of work was developed during various meetings, starting in September 2014. The terms of reference were formally agreed on 21 October 2014 to include the following areas:

### **Directorate governance processes:**

- Departmental structure
- Decision making and accountability
- Objective setting and risk assessment
- Budget and performance monitoring
- HR processes

### **Compliance with financial processes and controls:**

- Payments
- Income
- Capital assets
- Payroll
- Cash

As part of the prior year internal audit, following the transition to LGSS, we spent a significant amount of time understanding the financial processes, identifying controls and determining if they were based within the Council or LGSS. We developed a series of diagrams to show the processes for all the main financial transactions and key financial controls and provided these to the Council and LGSS. As part of the Directorate reviews we intended to review and test only those controls which operate within the Council. Where controls operate within LGSS, assurance is provided by the LGSS Internal Audit team.

## *Fieldwork performed*

We started the review of the Customers & Communities Directorate in December 2014 and Regeneration, Enterprise and Planning Directorate in January 2015.

In both Directorates we were able to assess the governance controls in operation. Our work in this area is being finalised but to date no significant issues have been identified.

We have updated our understanding of the key financial controls and transaction processes within each Directorate and note that there have not been any significant changes to the processes as described in the prior year.

To test the operation of the financial controls, transaction population listings are required from which samples can be selected and subsequently evidence obtained to assure the accuracy, validity and approval of the transaction. This information was initially requested when the terms of reference were shared with each Directorate however this information was not available when fieldwork commenced in December/January.

Since then we have chased both the LGSS and the Council to obtain the relevant listings. In some instances the information has now been received, outside the timescale of our review, but we have still been unable to identify relevant personnel who can support us with our testing and provide subsequent evidence to support samples selected.

Our original scope of work and audit approach has been limited due to these issues. A revised approach was developed and agreed with the Monitoring Officer and Deputy Section 151 Officer.

All financial transactions are recorded within the Agresso system. System controls, under the operation of LGSS, prevent transactions being processed without appropriate authorisation. This means that the key control in all financial transactions is the set-up of authorisation rights with the within the Agresso workflow.

As such, we have developed the scope of the Financial Delegations review to include the process and controls around which the Council's scheme of delegated authorities is set up in Agresso and subsequently updated and reviewed. We will perform testing to ensure that where individuals have access to approve transactions that this has been appropriately authorised and is suitable given their grade and authority within the Council.

Fieldwork is currently underway and any findings will be reported as part of the Financial Delegations report.

# Appendix 2 - Thought leadership publications

As part of our regular reporting to you we plan to keep you up to date with the emerging thought leadership we publish. The PwC Public Sector Research Centre produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

All publications can be read in full at [www.psrc.pwc.com/](http://www.psrc.pwc.com/)

## **European governments need to regain citizens' trust in public finances - December 2014**

Only one in five Europeans have trust in their government's ability to manage public finances, according to a new ICAEW-PwC report. Trust in public finances: A survey of citizens in 10 European countries shows that the majority of those surveyed struggle to assess and understand the state of the public finances, believing their government doesn't provide sufficient information.

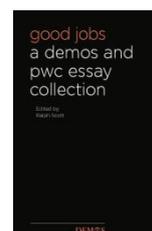
The report, based on a survey of 10,000 citizens in ten EU countries (Belgium, Finland, France, Germany, Italy, Poland, Spain, Sweden, The Netherlands and the UK), reveals that this crisis of confidence is evident among citizens of all ages and across all the countries surveyed, although of deeper concern in some countries than in others.



## **Good Jobs: A Demos and PwC essay collection- December 2014**

This Demos and PwC collection of essays brings together a wide range of contributors to share their views on what might be meant by 'good jobs', productive and rewarding in all senses, and how more of them can be created through changes in the approach to job design, learning and development and reward.

In our essay contribution, PwC's Ian Tomlinson-Roe shares the views of the public from a Citizens' Jury we held at the autumn party conferences. Opportunities for progression, job satisfaction and having a stake in the business are all conditions the public consider important for a good job.



## **Smart moves: Tapping into growth in public transport - December 2014**

There's a growing customer demand for smarter forms of ticketing; passengers are seeing the value of smart over conventional ticketing and more people are ready to adopt new technologies. However, despite technological advances, the public transport sector has yet to fully embrace the potential of these new technologies and there is more that government and transport operators can do to enable smart technology and integrated ticketing.



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