

Internal Audit Progress Report

November 2015

Northampton Borough Council



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Distribution list	Audit Committee
Background and scope	The purpose of this report is to provide a progress update on the agreed 2015/16 internal audit plan.

Plan outturn

2015/16 Audit Plan





The 2015/16 internal audit plan was approved by the Audit Committee on 7 September 2015 and since then we have undertaken work in accordance with the plan.

A statement tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 40 days (20%) of the planned audit days. Work will increase in the next few months and we will continue to keep members informed of progress.

Activity and Progress

Reports

This section will provide a summary of all final reports issued since the previous Committee meeting. To date, no final reports have been issued for the 2015/16 internal audit plan.

<i>Ref</i>	<i>Name of audit</i>	<i>Conclusion</i>	<i>Date final report issued</i>	<i>No of recommendations made</i>			
							
				Critical	High	Medium	Low

Fieldwork

Work is progressing in the following areas:

Governance and risk

This is a non-assurance review to support the Council in re-designing risk management arrangements, ensuring these are fit for purpose, fully integrated into Council business activities and that consideration of risk is integral to decision making going forward.

In January 2016 we will facilitate a Risk and Assurance workshop with the Senior Management Team to identify risks and existing sources of assurance and/or gaps. The next stage of this process is for the Senior Management Team to determine its appetite to risk, in order to ensure that the Council can deliver its services in a cost effective and efficient manner. The risk appetite is intended to create an approach to risk management which is aligned to the Council's strategic vision and objectives, recognising that risks are constantly changing.

This will inform an updated strategic risk register and support the development of a revised risk management approach going forward. Further areas for internal audit review may be identified as a result of this exercise, and the Audit Committee will be informed accordingly.

LGSS Contract

One of the primary reasons for entering into the outsourcing arrangement with the LGSS was to deliver increased value for money for the Council by delivering cost savings whilst ensuring that service levels were maintained. This review is focusing on whether the Council is receiving the expected services and benefits from this arrangement and that processes are in place to monitor and validate contract performance.

We have commenced fieldwork on phase one of the review which includes reviewing contract and performance information held by the Council to assess the following areas:

- Regular financial reporting is undertaken by LGSS to NBC on the costs which have been incurred and the savings realised
- Sufficient, appropriate information is provided by LGSS to support the costs charged and savings realised
- Payments made are in line with the contract requirements and service received.

The second phase of work involves detailed review of services provided by LGSS under the contract in respect of Human Resources and Legal Services. Much of this work will be conducted at LGSS using information held by them. Our LGSS work is due to start 11 November 2015 and will address the following areas:

- LGSS and the Council have a thorough understanding of the contract requirements in terms of service delivery
- Payments made are in line with the current needs of the Council and savings realised meet the initial expectations included in the Business Case
- Changes in the structure of the Council are reflected in the delivery model for the 'Agreed Services' by the LGSS
- LGSS is structured in a manner which enables it to ensure that services are delivered in line with the requirements of the contract
- Costs and savings are monitored and reported by LGSS to NBC in accordance with the contract

Review of Section 151 Officer role

Interviews have been conducted with the following officers and we have started preparing the draft report. Meetings are planned with both the current and former Audit Committee Chair.

- David Kennedy, Chief Executive
- Francis Fernandes, Borough Secretary & Monitoring Officer
- Julie Seddon, Director of Customers and Communities
- Steven Boyes, Director of Regeneration, Enterprise and Planning
- Glenn Hammons, Section 151 Officer (LGSS)
- Phil Morrison, Finance Manager (LGSS)
- Kelly Watson, Finance Manager (LGSS)

Other activity

We provided an Audit Committee training session for new members in June 2015.

Appendix 1 - Internal audit detailed progress tracker

<i>Ref</i>	<i>Auditable unit</i>	<i>Indicative number of days*</i>	<i>Actual audit days to date</i>	<i>Scoping meeting date</i>	<i>Proposed fieldwork dates</i>	<i>Proposed draft report date</i>	<i>Proposed management response date</i>	<i>Proposed final report date</i>	<i>Audit Committee reporting date</i>
A1	Governance and risk	75	2	June 2015	Q3	December 2015	December 2015	December 2015	January 2016
A2	LGSS contract	75	16	September 2016	Q2 & Q3	December 2015	December 2015	December 2015	January 2016
A3	Directorate governance: Borough Secretary	10	0	January 2016	Q4	February 2016	February 2016	February 2016	March 2016
A4	Review of Section 151 Officer role	10	8	During 2014/15	Q1 & Q2	November 2015	November 2015	December 2015	January 2016
M1	Audit Management	30	14	n/a	n/a	n/a	n/a	n/a	n/a
Total days		200	40	n/a	n/a	n/a	n/a	n/a	n/a

* Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.

Appendix 2 – Thought leadership publications

As part of the regular reporting to you we plan to keep you up to date with emerging thought leadership published by PwC. 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/. You can also read our blogs on Public Sector Matters Globally http://pwc.blogs.com/psm_globally/.

To own or not to own: realising the value of public sector assets – September 2015

The drivers of fiscal austerity will continue to frame decisions, and the ongoing reform of public services, for the rest of this Parliament.

Setting out the Spending Review, the Chancellor emphasised the importance of casting the net of efficiency widely, challenging government departments to “examine their assets and consider how they can be managed more effectively, including considering the role of privatisation and contracting out where assets do not need to be held in the public sector.”

Government has an asset base of £1,300 billion to support £700 billion of public spending. While recognising some obvious differences in objectives and function, most private sector organisations, even the most capital intensive such as oil companies, have ratios of assets to revenues of less than 1:1.

Our Talking Points considers how the government and public sector can best realise the value of its assets looking towards the 2015 Spending Review – and beyond.

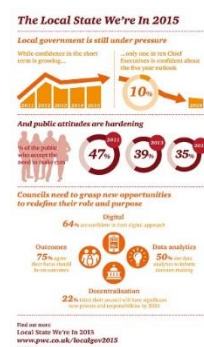
Local State We’re In 2015 - Our annual temperature check of local government

Local authorities are facing challenges on all fronts: financial pressures continue while demand and public expectations grow, alongside concerns about councils having the capacity and capability to respond.

Five years on from our original Local State We’re In survey, Chief Executives and Leaders have recognised the need to do things differently, looking beyond their organisational boundaries and taking a place-based, whole systems approach.

“Over the next five years we need to fundamentally redesign the shape of the organisation to respond to the challenges of reducing resources and increasing demands.” Chief Executive

Picking up a theme from last year’s survey, three quarters of local authorities now agree that their focus should be on outcomes, rather than service delivery. However, only a third of Chief Executives are confident they have a good understanding of the cost of securing outcomes across their area, and fewer are confident they understand how to measure outcomes and their impact.



New ways of working bring new risks and require new skills and collaborative relationships. As we look to 2015 and beyond, the challenge is to turn new strategies into new ways of working for staff, the public and partners that make a real impact on outcomes.

Delivering the decentralisation dividend – July 2015

With decentralisation high on the agenda in the UK our report, Delivering the Decentralisation Dividend, sets out the potential prize of decentralisation - good growth, public service reform and public engagement - and the barriers to be overcome if local places are truly to deliver the decentralisation dividend.

Our local government polling has found growing confidence behind decentralisation following the 2015 General Election, with a third of council chief executives and leaders now agreeing their council will have significantly more powers and responsibilities by 2020, up from 22% in March 2015.

Key barriers to decentralisation identified by local authorities include the sustained and growing financial pressures on councils, difficulty in establishing effective collaborative relationships with local government partners, and the requirement for a directly elected mayor. To deliver on decentralisation, localities need to take a whole system approach and keep a keen focus on the outcomes that collaborative working can achieve, embracing 'decentralisation by design' to rethink public services and investment for growth across a place.

Key local institutions - local authorities, combined authorities and LEAs - need to ensure they have the leadership, capability, capacity and accountability in place to make their case to central government and to then deliver on their plans.

Beyond Letting Go: The role of central government in a decentralised world – October 2015

Embedded in the UK Spending Review is a commitment to further decentralise functions and budgets in order to maximise efficiency, drive local economic growth and productivity, and support the integration of public services. Decentralisation has implications not only for the local and combined authorities seeking deals but also for how central government operates.

Central government has a significant role to play as an enabler for decentralisation, playing its part in moving to more collaborative relationships between central and local and ensuring that the momentum behind devolution continues, while maintaining sufficient oversight to manage risk and network issues. This will be a challenging balance to strike, particularly given the asymmetrical nature of decentralisation, with different places bestowed additional powers and responsibilities in relation to their appetite, capacity and capability.

Our 'Beyond letting go' Talking Points explores a number of areas where central government has a critical role to play in creating and operating in a successful devolved environment. Together these add up to a fundamentally new role for Whitehall. In each case, central government needs to strike a balance between genuinely empowering local areas where the costs, benefits and solutions are localised, and maintaining appropriate national oversight.



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