

**NORTHAMPTON BOROUGH COUNCIL
AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the
The Guildhall, St. Giles Square, Northampton, NN1 1DE.
on Monday, 11 September 2017
at 6:00 pm.

**S. Bovey
Interim Chief Executive**

AGENDA

1. APOLOGIES

Please contact Democratic Services on 01604 837722 or democratic_services@northampton.gov.uk when submitting apologies for absence.

1. MINUTES

1. DEPUTATIONS / PUBLIC ADDRESSES

1. DECLARATIONS OF INTEREST

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

1. GOVERNANCE ACTION PLAN

(Copy herewith)

1. ISA260 ACTION PLAN

(Copy herewith)

1. APPOINTMENT OF EXTERNAL AUDITORS FOR 2018/19

(Copy herewith)

1. FINANCE MONITORING

(Copy herewith)

1. DEBT MONITORING REPORT

(Copy herewith)

1. AGENCY AND INTERIM REPORT

(Copy herewith)

1. DRAFT INTERNAL AUDIT PLAN LGSS - 2017/18 TO 2019/20

(Copy herewith)

1. PWC AUDIT REPORT

(Copy herewith)

1. 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: -

<TRAILER_SECTION>

A8525

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.

Agenda Item 2

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 3 July 2017

PRESENT: Councillor M Markham (Chair); Councillor Oldham (Deputy Chair);
Councillors Golby, Chunga, J Hill, Marriott and Stone

1. APOLOGIES

There were none.

2. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

3. DECLARATIONS OF INTEREST

There were none.

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

There were none.

**5. DRAFT STATEMENT OF ACCOUNTS 2016-17 AND ANNUAL GOVERNANCE
STATEMENT**

The Head of Integrated Financial Services (LGSS) submitted a report on behalf of the Chief Finance Officer and elaborated thereon. He explained that the Statement of Accounts (SoA) had been signed off by the Section 151 Officer and had been released to the External Auditors – KPMG by the required deadline of 30th June. It was noted that there were some issues that had impacted on the timeline of production of the SoA which included a staff key member of staff having left and additional work needed around housing valuations. It was noted that at a previous meeting of the Audit Committee on the 6th March 2017 a report had been submitted which approved the Accounting Policies and Statement of Accounts changes and noted that there had been a number of changes to the format of the accounts. It was further explained that next year's deadline would be more challenging as it had been set as the 31st May and explained that work was already being undertaken to ensure that capital entries are fed into the account statements sooner as these were a key element. It was noted that the public inspection period had commenced and would be available for inspection for 30 working days.

In response to questions asked by the Committee, it was explained that the consequences of not adhering to the deadlines would be reputational damage. It was noted that the Chief Finance Officer's opinion was that the SoA was a true and fair opinion and on that basis was referring them to the External Auditors. In comparison to other Councils he noted that the Borough Council were financially ahead of similar sized Councils as there had been a contribution to reserves which had been relatively high although it was explained that the Council would face increased financial challenges over the next 2 – 4 years. In response to concerns about staffing, it was explained that the Director of Regeneration, Enterprise and Planning would be undertaking a restructure specifically in relation to Assets, and the lack of valuers. In reference to the New Homes Bonus (NHB) it was reported that significant changes had occurred in April 2017 as the Government had changed the amount of NHB the Council would get. Previously, the Council had received £5 million but that this was expected to decrease from a 6 year to a 4 year scheme which had been accounted for in the Medium Term Financial Plan.

The Interim Strategic Finance Manager referred to the Annual Governance Statement and noted that a significant change in 2016/17 was the development of a Governance action Plan to address recommendations from the Internal Auditors, the progress of which would be noted at future Audit Committees. It was noted that the new governance guidelines had been issued by CIFA SOLACE and the Council had started a self-evaluation of its compliance within the framework and any gaps in governance would be identified through this. It was reported that the Annual Governance Statement was a review of the Council effectiveness and had referred to the work and opinions of External and Internal auditors. The work undertaken through the Governance Action plan was recognised and significant improvements had been made; there were still some outstanding improvements which Management Board were committed to progressing.

In response to questions asked, it was noted that with regards to Northampton Partnership homes (NPH) that it was a subsidiary of the Council for accounting purposes and their accounts had been consolidated into the Council's Group Accounts.

The Chair commented that she would request further training on the statements of accounts for Audit Committee members.

RESOLVED:

That the Audit Committee noted the draft Statement of Accounts 2016/17 and the draft Annual Governance Statement.

6. PROPOSAL TO RECRUIT AN INDEPENDENT AUDIT COMMITTEE CHAIR

The Borough Secretary and Monitoring Officer submitted a report and explained that the proposed recruitment of an Independent Chair was a means to increase the strength and effectiveness of the Audit Committee; they would be independent, non-voting co-opted members who would be additional to the seven elected members. It was further reported that a CIPFA recommendation was self-assessment questionnaire to ensure that the Committee were effective and challenged in their roles. It was noted that it would also help in the planning of future audits and would also assist in identifying training needs.

In response to questions asked, it was noted that Members were appointed to the Audit Committee which was politically neutral and that the appointment of an independent chair would reinforce that. It was noted that the Independent Chair would receive remuneration, but that it would not be dissimilar to the Special Responsibility Allowance received by the current chair of Audit. It was noted that the recommendation was to endorse the appointment of the independent Chair be referred to Council and could potentially decide whether to agree to the recommendation to give the Independent Chair remuneration and the amount it would be.

RESOLVED:

- 2.1 That it be recommended to Full Council that the composition of the Audit Committee is altered to provide that the Chair of Audit Committee would be an independent, non-voting, co-opted member and would be in addition to seven elected Members, and that the necessary amendments be made to the Council's Constitution.
- 2.2 That consideration be given on the CIPFA Self-assessment of Good Practice questionnaire for Audit Committees at Appendix 1 of the report.

7. FINANCIAL OUTTURN 2016/17

The Chief Finance Officer submitted a report and elaborated thereon and noted the General Fund outturn for controllable service budgets showed an underspend of just under £1.4 million and referred to table 2 of the report which outlined the proposed use of the 2016/17 underspend. It was further noted that some of the underspends were staff related savings but that some of them would have offset expenditure on temporary and agency staff to deal with capacity issues. In response to questions asked, it was reported that should Northampton Partnership Homes (NPH) have an underspend, they would retain that for the next financial year but that they would need to demonstrate to the Council how the money would be spent.

RESOLVED:

That the contents of the finance report be considered.

8. DEBT MONITORING REPORT

The Benefits and Fraud Manager (LGSS) submitted a report on behalf of the Revenues Manager and explained that the Revenue and benefit service compiled a corporate debt summary that monitored the percentage of debt that was not currently managed. It was noted that the continued Welfare Reforms had increased the pressures on those liable for Council Tax and on a Low Income. In response to questions asked, it was explained that research had been undertaken and comparison between the claimant types between March 2016 and March 2017 was evidenced in the table at 3.1.33 of the report. It was further explained that bailiffs were used for appropriate debt management and for cases of bad debt, and that the officers had a close working relationship with the enforcement agents. It was noted that they had a very specific framework to adhere to, and that most of the work that they undertook involved very little 'door-knocking'. In response to a question asked about debt comparison to other local authorities, it was confirmed that Milton Keynes had a higher debt recovery rate but that was due to more aggressive recovery.

RESOLVED:

1. That latest position in relation to the Council's outstanding debts as at 31st March 2017 was noted.

9. INTERIMS AND VACANCIES UPDATE

The Chief Finance Officer submitted a report and noted that at a previous meeting of the Audit Committee, members had requested further information relating to the number of interim/agency staff and vacant positions that were currently held at the Council. He referred to information set out at tables 3.2.1 and 3.2.2 of the agenda and noted the overall decrease in the number of agency staff and interims and the length of engagement. Member's discussed the cost of interims and it was explained that sometimes there was a need for money to be spent on getting qualified people to do a specific job that was often very specialist and therefore few alternatives were available.

The Committee asked for additional information that would explain;

- a) Of the 22 reductions reported, what had happened to the posts.
- b) How has productivity been affected
- c) How much money was being spent on Interim and Agency staff?

RESOLVED:

1. That the report be noted

2. That the above questions be answered and presented at the next Audit Committee.

10. PERFORMANCE OUTTURN 2016/17

The Borough Secretary submitted a report and elaborated further and noted that for Quarter 3, the number of overall performance indicators that were red – Outside agree target tolerance' was at 35.71% and that Quarter 4 it had fallen to 27.27%. It was noted that within the monthly measures, a more detailed narrative had been requested and that information had been provided within the appendix. Concern was voiced by Members that the delay in the establishment of a social lettings agency was a year overdue and the money spent on homelessness and prevention was unacceptable and avoidable had the SLA be formed earlier and more effectively.

The Borough Secretary reported that he would explore ways for the crime figures to be better presented and more detailed.

RESOLVED:

2.1 That the contents of the performance report (appendix 1) be reviewed.

2.2. That the performance report that will be presented to Cabinet on 21 June 2017 be approved.

11. INTERNAL AUDIT PLAN - 2017-18

The Internal Auditor submitted a report and explained that the work plan had been developed in conjunction with the Councils Management Board and noted that the proposed PwC Internal Audit Plan for 2017/18 showed the areas that would be completed and would focus on key areas around governance and the management of risk and finance.

The Chair thanked the internal auditors for the work that they had completed.

RESOLVED:

That the PwC internal audit plan for 2017/18 be agreed.

The meeting concluded at 7.53pm

Appendices:
1



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Progress Update on Implementing the Governance Action Plan
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	11 th September 2017
Policy Document:	No
Directorate:	Borough Secretary
Accountable Cabinet Member:	Cllr Jonathan Nunn

1. Purpose

- 1.1 This report outlines the progress made to date on implementing the Council's Governance Action Plan.

2. Recommendations

- 2.1 That the Committee review and comment and where appropriate constructively challenge the Governance Action Plan to inform further work on its content, development and implementation.
- 2.2 That the Committee receive update reports on the implementation of the Governance Action Plan from the Borough Secretary and Chief Finance Officer at every future meeting until it determines otherwise.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Governance Action Plan is a fundamental document for the Council. The purpose of the plan is to ensure training and support is available for officers to strengthen and put in place effective governance arrangements and processes within the Council. Procedures that should be in place, or need to be reinforced, to ensure that proper and effective governance happens in practice at all times will be implemented and will be on a par of organisational importance with the Budget Book and/or the Constitution.

3.1.2 **Plan update:** In August 2017, the items within the Governance Action Plan were reviewed and the number of actions reduced from 67 to 48. The process areas where the reductions were made are:

Process area	Original number of action points	Revised number of action points	Diff	Reason for change
Projects	10	3	-7	Merged into relevant action
Programme & Project support	8	5	-3	Merged into relevant action
Internal audit recommendations	7	4	-3	Merged into relevant action
Governance	5	4	-1	Merged into relevant action
Other	6	1	-5	Duplicates - deleted

Other than the duplicates (items 63 – 67 on the original document), no other points were deleted from the plan, they were merged with the existing points where the process was the same.

At 'Appendix 1' the current Governance Action Plan is shown with an additional column to show the changes/deletions/merged items from the original document presented in June 2017. For example:

- Action points 8,9,10 & 20 for project management on the original action plan are now merged in to item 8 on the revised action plan document.

Of the 48 items listed, 26 still remain open and 22 items have now been closed based on evidence received during the August review.

GOVERNANCE AREA	Number of Actions	Fully Implemented	Partly Implemented	Not Implemented	To Be Confirmed
Risk Management	6	0	5	1	0
Project Processes	3	0	3	0	0
Programme & Project Support	5	2	0	3	0
Due Diligence	1	0	1	0	0
IA Recommendations	4	2	2	0	0
Exec. Decisions – Cabinet Processes	13	8	4	0	1
Governance	4	2	2	0	0
Financial Governance	11	8	3	0	0
Other	1	0	1	0	0
Total	48	22	21	4	1
Percentage	100%	46%	44%	8%	2%

3.1.3 Key to the success of the Governance Action Plan will be:

- Substantively revised governance culture and structure for the Council, including for risk management, to enhance and support deliberation and assessment of all recommendations, decisions, programmes and projects before approval, during implementation and on completion.

- Renewed and greatly enhanced focus on officer compliance with policies, procedures and best practice in all aspects of governance, backed by enhanced professional and technical engagement and a central capacity to provide support, training, development and enforcement to ensure compliance
- Enhancements and strengthening to the role of the Audit Committee in overseeing compliance with policies and procedures. Specifically moving into the future this will be to further develop the Audit Committee to ensure organisationally independent assurance to the Cabinet on:-
 - The adequacy of risk management and the control environment at the Council
 - The Council's financial and non-financial performance to the extent it affects exposure to the risk and the control environment
 - The financial reporting process
 - The effectiveness of internal audit, risk management and anti-fraud plans and strategies and functions
 - Effective working arrangements between internal and external audit
 - The annual plans of internal and external audit
 - The implementation of audit recommendations
 - Achieving compliance with CIPFA/SOLACE recognised best practice in local authority governance

3.1.4 Implementation of this Governance Action Plan is owned and overseen by this Committee, by the Leader of the Council, the Chief Executive and the Statutory Officers, by Management Board and the Corporate Governance and Support Programme Board led by the Borough Secretary.

3.2 The following are the key improvement areas in the Governance Action Plan.

3.2.1 Risk Management

3.2.2 Risk management is a key priority in the Governance Action Plan and has three linked tasks which are firstly to review the risk management framework, policy, procedures and processes of the Council, secondly to embed risk management throughout the organisation and lastly to ensure there is effective risk reporting through the governance process.

3.2.3 To date the Council has in terms of progress to achieve these three tasks appointed on a permanent basis in June 2017 a Governance and Risk Manager with the experience and expertise to lead on strengthening governance and risk processes and to contribute also on establishing the Licence to Practice framework as a key vehicle to address governance weaknesses in the organisation.

3.2.4 Further action completed during the summer included an in-depth review of the Council's risk management strategy (encompassing a review of the risk

policy and related risk procedures and processes such as the production of a Council Statement of Risk Appetite).

- 3.2.5 Importantly the Risk Appetite Statement complies best practice in corporate and public sector governance and is a published disclosure to our stakeholders and community of the nature and amount of risk the Council is willing to accept and take on further to the pursuit of its strategic objectives as outlined in its corporate plan Securing Northampton's Future.
- 3.2.6 An draft risk management strategy prepared by PWC was presented to the audit committee in December 2016, this document has since been reviewed by the Interim Governance & Risk Manager and is currently at formal draft stage and is being consulted upon with Management Board and the Audit Committee. Further consultation and embedding of the strategy will also occur with Heads of Service, directorate management teams and the cross-directorate Corporate Governance and Support Officer Programme Board. The risk management strategy will ultimately be approved by the Cabinet on behalf of the full Council.
- 3.2.7 Where appropriate there will be targeted presentations and Q&A sessions for the new strategy held alongside the consultation such as to the Management Board and Audit Committee and also the cross-directorate Managers' Session forum which is composed of all service-managers and heads of service at the Council.
- 3.2.8 Arrangements for risk management as outlined in the strategy and the processes for embedding the new strategy will also be the subject of an internal audit in Quarter 3 to provide further assurance that the new arrangements are robust, comply with best practice and are meaningful and fully embedded at the Council.
- 3.2.9 Further action completed includes regular risk liaison and quarterly production and update (capturing new and emergent risks and closing risks managed down to target levels of residual risk) of the corporate risk register which is reported to the Management Board, Audit Committee and Corporate Governance and Support Officer Programme Board in support of their responsibilities for risk management.
- 3.2.10 Regular meetings and slots have also been established with directorate management teams (DMTs) and at these meetings the corporate risk register is reviewed and constructively challenged by the DMTs to greater ensure it is accurate and complete and divisional risk registers also similarly reviewed and challenged by the corporate centre. In this way "top down" and "bottom up" challenge mechanisms are being put in place for risk registers.
- 3.2.11 Additionally further to Action 6 in the Governance Action Plan risk management training and development plans have also been largely agreed and completed over the summer for the Cabinet, Management Board, Heads of Service and the Audit Committee.
- 3.2.12 In this way the Council is continuing to build a visible risk-aware culture which is "live" and "active" in the organisation, is understood and acts meaningfully in support of decision-making.

3.3.1 Due Diligence

- 3.3.2 The 2015/16 External Auditor's ISA 260 report identifies the need for systematic, robust and objective processes for assessing and documenting due diligence procedures in relation to loan finance. Officers have put a hold on the issuing of any loans pending a review of due diligence processes. A summary of existing loans and key documentation has been compiled and centralised in one place. An extensive loans compliance checklist has been developed, and reviewed by the Council's banker Barclays with use of the checklist mandatory part of this and the above actions being a part of the on-going review of due diligence at the Council. This is going through final refinements and will be ready for use, and subsequently shared with the external auditors by the end of August 2017.
- 3.3.3 A due diligence and compliance manual is also in the process of being prepared and will operate as a toolkit support for officers. Estimated completion for this piece of work is 31.12.17.
- 3.3.4 Due diligence has also been identified as a high-priority dedicated training modules as part of Licence to Practice to be delivered before 31.12.17. The estimated date for completion has been amended from 31.07.17 due to the position of Training and Development Manager becoming unexpectedly vacant in July 2017, an interim HR Manager has been appointed and will be instrumental in delivering the LTP training.

3.4.1 Project & Programme Support

- 3.4.2 A review of project governance and development and implementation of a Corporate Project Management Framework are the two key tasks set for project and programme support in the Governance Action Plan.
- 3.4.3 Work has started on a compliance review of the Museum Project with further retrospective reviews planned in the next quarter for the remaining live projects including Vulcan Works. A work programme has been developed that will cover the key control points within the process, where those key points are not compliant, retrospective documentation will be put in place. A summary report will be produced and presented to Management Board and communicated to the Audit Committee at the next available meeting after completion of the reviews. Continual reporting will be put in place during 2017/18 for the compliance programme within NBC once implemented through recruitment of additional team members in the Governance Department to cover internal controls.
- 3.4.4 The Corporate Project Management Framework policy and procedures documentation is in the process of being completed. A working group has been identified to contribute to defining the project process flow and control points. A revised reporting guide will be incorporated into the process to ensure that clear reporting of the progress of projects is made to Management Board and above. The draft policy and process documentation will be presented to the Audit Committee once completed and approved by Management Board and Cabinet.

3.5.1 Internal & External Audit

- 3.5.2 The Governance Action Plan identifies the review of internal audit recommendations and improved reporting of internal audit recommendations as the two key tasks of the plan.
- 3.5.3 As previously agreed by the Audit Committee, there will be separate reporting and attendance at Audit Committee by the LGSS Internal Audit team to provide assurance in areas relevant to their role and responsibility to NBC.
- 3.5.4 A review of NBC Internal Audit and LGSS Internal Audit plans has been undertaken to ensure they complement each other and to ensure that there are no gaps, inconsistencies or clashes between these plans. This will continue to be reviewed each year in framing and then monitoring the Annual Audit Plans.
- 3.5.5 An area of identified weakness for the Council is the monitoring and reporting of delivery against audit recommendations, both internal and external. To address this, the PWC TrAction software that is available to NBC is now being actively used with access and training given for relevant staff. The Governance team have taken responsibility for monitoring the implementation of recommendations for all internal and external audits including agencies such as the Food Standards Agency. The Governance team will perform follow ups for the internal audits completed by PWC. Reports of outstanding actions will become a standing agenda item for the Audit Committee at the next and subsequent meetings.

3.6.1 Cabinet Clearing Processes

- 3.6.2 One area of weakness identified by Internal Audit was the level of detail that was available to Cabinet to support their decision-making.
- 3.6.3 Changes have now been made by officers to the process used to review and clear Cabinet reports. These include that reports need to be assessed and cleared at Management Board and that more time needs to be given in the process to consideration by the Council's statutory officers.
- 3.6.4 Tighter monitoring of Cabinet decisions, their implementation and compliance with the agreed recommendations of Cabinet has also been implemented. This will include tighter consideration of the circumstances in which delegated decisions should be referred back to Cabinet if there have been changes in the context applying that decision. Monitoring and compliance is being reported to the Leader of the Council and Audit Committee.
- 3.6.5 In addition Cabinet reporting deadlines are now published in advance on the Council's intranet and a report writing guide has been published on the intranet.
- 3.6.6 Cabinet clearance processes have also been designated a Licence to Practice module for learning for officers to be delivered before 31.12.17.

3.6.7 Improvements to the call over process, development of the audit committee, cabinet clearance and the standard of cabinet reports are all key deliverable tasks in this area of the Governance Action Plan.

3.7.1 CIPFA/SOLACE Delivering Good Governance

3.7.2 The key tasks set in this area of the Governance Action Plan for are firstly to undertake a substantive review of the effectiveness of the Council's corporate governance processes and secondly to put in place the improvements that will enable the Council to achieve the External Validation accreditation (Mark of Excellence) awarded by CIPFA/SOLACE for the efficacy of its governance processes.

3.7.3 To date four of the five self-assessment questionnaires have been completed by senior managers. The Governance and Risk Manager also completed the questionnaire based on actual evidence available to demonstrate how NBC compare against the standard. Although initial results have been complied, the final questionnaire needs to be completed before a conclusion can be shared with the Corporate Governance and Support Officer Board, Management Board and Audit Committee.

3.7.4 In addition the update of the Council's Code of Governance and related processes has been designated a high-priority Licence to Practice learning module to be delivered to officers by 31.12.17.

3.8.1 Financial Governance

3.8.2 Key tasks set for Financial Governance as part of the Governance Action Plan are to:-

- Improve the purchase order process
- Review and improve reserves drawdown process
- Review & improve supplementary estimates
- Review and improve virement
- Improve the operation of the capital programme
- Raise financial awareness

3.8.3 To date any non-compliance by service areas with purchase orders is now reported as part of financial dashboard to Management Board monthly and the finance team have engaged and communicated with all managers the benefits in improved purchase orders practice through the training programme delivered in March 2017.

3.8.4 Finance have improved consistency of process, and therefore compliance, by introducing a single form for supplementary estimates/reserves/virement which includes guidance on process. The compulsory finance training undertaken in March included training on this process, and participants were tested on their understanding. Supplementary Estimates and Reserve Drawdowns are reported to Management Board and Cabinet as part of the regular finance monitoring reports.

3.9.1 Other Governance Areas

3.9.2 The key tasks set for this area of the Governance Action Plan are to:-

- Review the Whistleblowing policy
- Review Officer & Member Gifts and Hospitality

3.9.3 The Whistleblowing Policy was approved at full cabinet 21.06.17. An external service provider was selected at the end of July and subject to agreeing T's & C's with the legal team, the policy will go live imminently. Posters and wallet cards showing the external whistleblowing contact details (website/email/telephone number) are in the process of being costed. Awareness campaigns for employees will be instigated at the time of launch.

3.9.4 Gifts & Hospitality: Officers - The Employees' Code of Conduct contains the requirements in relation to registration of personal interests and gifts/hospitality by officers. It also contains the associated forms. This document was considered by the Standards Committee's Working Group on 3rd July, 2017 and approved by the Standards Committee on 17th July. The approved document has yet to be uploaded onto the intranet. In the meantime, the current Employees' Code of Conduct is still in place online and contains guidance about gifts and hospitality.

Members - A new guidance document for Members on acceptance and declaration of gifts and hospitality was also approved by the Standards Committee on 17th July. This is still to be updated on the intranet/internet.

3.9.5 Whistleblowing has been included in the Licence to Practice learning module to be delivered to officers before 31.12.17 and alongside the Code of Governance module above.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There will be various impacts and indeed transformation of current policies. The Governance Action Plan will ensure that all policies are tightened and individually and in aggregate contribute to embedding effective arrangements for risk management and to building a strong control environment at the Council.

4.1.2 Compliance with these policies will now be strongly monitored once resource is in place and reported upon through the governance structure and to the Audit Committee.

4.2 Resources and Risk

4.2.1 The additional capacity required to implement the Governance Action Plan previously reported to the Audit Committee has now been put in place

through normal decision-making processes. Financial implications will be reported through the budget process.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Whilst there are no specific equality implications at this stage, various HR policies will be reviewed through the Governance Action Plan. All these reviews will be supported by equality and community impact assessments using Stonewall LGBT rights charity.

4.5 Consultees (Internal and External)

4.5.1 Internal consultation has taken place with Management Board and other senior officers, LGSS finance, and Internal Audit and External Audit on the matters in the Governance Action Plan and external expert advice has been taken where required.

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 None

Francis Fernandes, Borough Secretary
Glenn Hammons, Chief Finance Officer
Joanne Bonham, Governance & Risk Manager

MANAGEMENT BOARD MONTHLY GOVERNANCE ACTION PLAN STATUS REPORT AS AT 31.08.17

Headline & Status	The Plan is, in the main, on track to be fully implemented by the relevant due dates. Some dates have had to be extended due to delays in finalising interviews and documentation for the risk management strategy and organisation around Licence to Practice training.	GREEN
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Overview	<p><u>Achievements</u></p> <ul style="list-style-type: none"> ▪ Regular performance reporting and update of the Plan via this report continues and importantly is becoming established practice. ▪ The plan has been reviewed and the action points reduced from 67 to 48 following the merging of related actions around project management framework and deleting duplicates. ▪ Fully-Implemented actions have increased 1% since the previous reporting period (June). 	<p><u>Potential Problem Areas/Issues</u></p> <ul style="list-style-type: none"> ▪ 90% of actions are currently at a fully or partly implemented status, this is a reduction of 3% on June 2017 due to lack of evidence of implementation. ▪ Partly implemented has reduced by 4% to 44%, mainly due to the reduction in project related actions. ▪ Items not implemented has increased to 8% but only in light of the overall reduction of number of actions from 67 to 49.
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Board Exception Reporting Item(s)	None
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a). Overall Analysis of the Implementation Status of Governance Plan Actions as at 31.08.17

GOVERNANCE AREA	Number of Actions	Fully Implemented	Partly Implemented	Not Implemented	To Be Confirmed
Risk Management	6	0	5	1	0
Project Processes	3	0	3	0	0
Programme & Project Support	5	2	0	3	0
Due Diligence	1	0	1	0	0
IA Recommendations	4	2	2	0	0
Exec. Decisions – Cabinet Processes	13	8	4	0	1
Governance	4	2	2	0	0
Financial Governance	11	8	3	0	0
Other	1	0	1	0	0
Total	48	22	21	4	1
Percentage	100%	46%	44%	8%	2%

MANAGEMENT BOARD MONTHLY GOVERNANCE ACTION PLAN STATUS REPORT AS AT 31.08.17

b). Analysis of Not Implemented Actions as at 31.08.17

No	Action	Rationale/Barriers to Implementation
1	Risk Policy and Framework to be reviewed by Management Board.	Originally marked as completed 26.04.17. Not actioned. New policy to be submitted for review to Management Board in September 2017.
11	Develop and Implement enhanced Corporate project and Programme Management Framework and arrangements. To include a Corporate Governance & Support Officer Programme Board; Northampton Alive Officer Programme Board and an Efficiency/MTFS Officer Programme Board. Include within the Framework the requirement for regularly reporting back to Cabinet on all projects is in place.	Programme and Project management framework work will be developed and implemented at a corporate level and the present structure/configuration of Boards will also be considered. Governance and decision making will be included in the process. Corporate Project Management Framework policy and procedures started August 2017, to be presented to Management Board in September 2017.
13	Each project/programme to require the completion of a declaration of interests form by each participant (member or officer or advisor) and to be maintained as part of the project governance documentation	To be specifically included in the Corporate Project Management Framework documentation.
14	Mandatory Training programme on project programmes and major projects competencies to be completed as part of the Licence to Practice Programme and to be written into staff contracts	Major programme and programme management module included in LTP as a high-priority module. Training to be given once project framework completed. Date of implementation of LTP training amended to 31.12.17 in light of the departure of the Training & Development Manager in July 2017.

APPENDIX 1
GOVERNANCE ACTION PLAN UPDATE - August 2017

16

Process area	REF.	Original action plan reference number:	Revised action plan	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.08.17
A. RISK MANAGEMENT	1	No change	• Risk Policy and Framework to be reviewed by Management Board	H	Governance & Risk Manager	31.08.17	Not Implemented	0%	G	Not actioned. New policy to be submitted for review to MB in August 2017.
	2	No change	• Risk Policy (including risk appetite) to be reviewed by Audit Committee	H	Governance & Risk Manager	30.09.17	Partially Implemented	80%	G	The revised risk policy is included as part of the refreshed risk management strategy exercise and the revised policy as a part of this exercise cannot be submitted to the Audit Committee until it next meets which is in September. A new deadline of 30.09.17 is therefore proposed for this action. Interim work to be completed by 18th August to include the risk management policy and strategy. LTP will be handed over to the interim HR Manager for implementation during September 2017.
	3	No change	• Governance monitoring arrangements to be in place with updates taken to the Audit Committee	H	Governance & Risk Manager	30.09.17	Partially Implemented	65%	G	Regular updates of the LTP and GAP and performance on the annual audit plan are in place. An outstanding area is still indicated to be the regular and quantified reporting of NBC performance to the Audit Committee on the implementation of audit recommendations by the due date. It is expected that the framework to do this and the beginning of reporting in this area will be in place and with regular reporting starting in the autumn of 2017.
	4	No change	• Refresh and cascade the risk management strategy and framework	H	Governance & Risk Manager	31.08.17	Partially Implemented	80%	G	Interim work to be completed by 18th August to include the risk management policy and strategy. LTP will be handed over to the interim HR Manager for implementation during September 2017. Delay due to last interviews not completed in July.
	5	No change	• Schedule of risk related policies to be approved by Management Board	H	Governance & Risk Manager	31.08.17	Partially Implemented	80%	G	Update of the risk management strategy will bring together in one place/Framework all relevant and current policies, eg directorate responsibilities, the risk policy, risk escalation and Risk Appetite sub-documents. Completion date 18.08.17. Interim work to be completed by 18th August to include the risk management policy and strategy. LTP will be handed over to the interim HR Manager for implementation during September 2017.

Process area	REF.	Original action plan reference number:	Revised action plan	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.08.17
	6	11,12,16	<p>Generate a training plan for key officer and member groups to include</p> <ul style="list-style-type: none"> • Management Team • Heads of Service • Project Managers • Members - Cabinet • Audit Committee members <p>Specialist risk management training to become mandatory for all officers involved in projects. This to apply to current and future projects.</p> <p>Specialist training, workshops to be arranged and delivered with external and internal resources and in consultation with the Council's internal auditors</p> <p>Establish and embed risk management surgeries</p>	H	Governance & Risk Manager	30.09.17	Partially Implemented	15%	G	<p>Proforma Training and Development form devised and to date plans put in place for x3 Hds of Service and x1 Director. It is considered that due to the relatively large number of senior officers and Members to be accessed and interviewed for training plans that the initial deadline of 30.07.17 was overly optimistic when set. It is therefore proposed that a new revised and more realistic deadline of 30.09.17 (to recognise the August holiday period) is put in place for this action.</p> <p>Project risk management to be strengthened. Training will be developed as part of the licence to practice programme. Linking in with the governance and risk function projects will, as part of this specialist training, identify how we expect people to use risk as a tool in a project environment both on a project level and a day to day level dealing with assets. The objective of this training will be to create a risk-based and risk-led approach in project management</p> <p>Training plan interviews are being compiled by Neale Burns. Estimated completion of plans by 18th August.</p>
B. REVIEW ALL CURRENT PROJECT PROCESSES	7	No change	<p>Post-implementation review of the operation and effectiveness of the Executive Programme Board since its establishment in late 2016</p>	H	Director of Regeneration, Enterprise and Planning	30.09.17	Partially Implemented	TBC	TBC	The review of other EPB is in the early stages.
	8	8,9,10,20	<p>Identify and log all projects currently live and in the pipeline. Perform reviews of each project for feasibility and governance assurance.</p> <p>Ensure all relevant projects to go through a gateway or similar process, including</p> <ol style="list-style-type: none"> a) Categorise and apply rigorous but proportionate methodologies and documentation. b) Requirement for a Project Initiation Document (PID), minuted project/programme meetings and a full risk assessment c) Programmes/projects will be required to be maintained on central paper records with clear documented minutes of meetings and professional advice received. 	H	Borough Secretary	30.09.17	Partly Implemented	20%	G	<p>A register will be produced and maintained centrally and reviewed by Management Board.</p> <p>The Northampton Alive Programme Register has been prioritised. The IT Programme Register is complete. Further work is required to prioritise the projects within housing. Further work is required to align each of the programme registers to ensure that they are corporately prioritised. The Register will identify the high impact and high value projects as at the register date. Enterprise Zone (EZ) aspects completed with assets and projects dimension remaining outstanding. This work will further build into the establishment of a projects universe spreadsheet to track all projects at the Council.</p> <p>Gateway reviews established for Vulcan, Delapre, Greyfrains and Northampton Museum & Art Gallery Expansion.</p> <p>Reviews commencing August 17th for Museum project.</p>

Process area	REF.	Original action plan reference number:	Revised action plan	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.08.17
	9	13,14,15, 24	<p>Risk reporting to be reviewed ensuring that there is an effective cascade and tracking of risk through governance arrangements</p> <p>Refreshed monitoring and tracking process ie project/service risks may also become a corporate risk</p> <p>Clarity on risk exception reporting process. Corporate, service and project risks are to be reviewed monthly.</p>	H	Borough Secretary	31.12.17	Partly Implemented	20%	G	<p>This went live with the team at the MB presentation on 25.05.17. However it is to be noted that the extended period of stakeholder consultation required in this area, eg with Executive Programme Board (EPB), Cabinet, Scrutiny will extend full completion of the action to the end of Q4.</p> <p>The management of risk will be defined within the corporate risk strategy and at a more detailed level within the Corporate Programme and Project Management Framework document. A key improvement to be made to current processes is the clear escalation of risks from one level to another (project up to programme up to corporate and the same for cascade downwards).</p> <p>Risk registers for each directorate to be reviewed at the Corporate Governance and Support Officer Programme to ensure any corporate risks are escalated.</p>
C. PROGRAMME & PROJECT SUPPORT	11	18, 21	<p>• Develop and Implement enhanced Corporate project and Programme Management Framework and arrangements. To include a Corporate Governance & Support Officer Programme Board; Northampton Alive Officer Programme Board and an Efficiency/MTFS Officer Programme Board.</p> <p>Include within the Framework the requirement for regularly reporting back to Cabinet on all projects is in place.</p>	H	Director of Regeneration, Enterprise and Planning	31.09.17	Not Implemented	0%	G	<p>Programme Boards operational; Northampton Alive, Corporate Governance & Support Officer & Efficiency & MTFS Officer Board. Review of efficiency to be undertaken. Programme and Project management framework work will be developed and implemented at a corporate level and the present structure/configuration of Boards will also be considered.</p> <p>To be included within the Programme and Project Management Framework. Reporting position is that management board feed into the EPB on an exception basis. Regular reporting of significant projects should normally be to Management Board.</p> <p>Corporate Project Management Framework policy and procedures started August 2017</p>
	13	22	<p>• Each project/programme to require the completion of a declaration of interests form by each participant (member or officer or advisor) and to be maintained as part of the project governance documentation</p>	H	Director of Regeneration, Enterprise and Planning	30.09.17	Not Implemented	0%	G	<p>Policy for Employees Code of Conduct includes the declaration of interest. Meeting with Legal set up on 29 June 2017 to look at potential revisions of the document and to develop a declarations of interest for non employees such as interim/consultants. A review of the current process will also be undertaken by legal. The output from this review will include a declaration of interest process for projects and programmes of work for both employees and interim positions. An employee declaration of interest register is currently maintained by democratic services</p> <p>To be included in the Corporate Project Management Framework documentation.</p>
	14	23	<p>• Mandatory Training programme on project programmes and major projects competencies to be completed as part of the Licence to Practice Programme and to be written into staff contracts</p>	H	Governance & Risk Manager	31.12.17	Not Implemented	0%	G	<p>Major programme and programme management module included in LTP as a high-priority module. Mandatory training element will be progressed in line with roll-out of the LTP.</p>
D. DUE DILLIGENCE (Incl. loans to 3rd parties)	15	25	<p>• Establish a due diligence and compliance manual</p>	H	Chief Financial Officer	31.12.17	Partly Implemented	50%	A	<p>1. First stage (Loans Checklist) fully completed (95%). Second stage (production of the Manual itself) is being progressed internally but the methodology/approach is not decided yet may need a discussion on whether there is a need for some external/consultancy support to complete the Manual - Still to be completed.</p>

Process area	REF.	Original action plan reference number:	Revised action plan	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.08.17
E. INTERNAL AUDIT RECOMMENDATIONS	17	27	• Assess delivery of all internal audit recommendations since June 2013 where not already delivered.	H	Finance & Strategic Business Partners	30.06.17	Partly-Implemented	95%	G	Extensive data cleansing has taken place to ensure that all internal audit recommendations still open on TrAction have been re-examined and followed up to ensure they have been actioned. The open findings have reduced from 115 to 16 up to year ending 2015/16, with robust system now in place to follow up when a new audit is carried out and actions are checked before the expiry date.
	19	29, 30	Set and monitor client-side target in 2017/18 for the full 100% implementation of all agreed internal audit recommendations by the due date (TrAction) Report progress on delivery of internal audit recommendations to Management Board and Audit Committee	H	Chief Financial Officer	30.09.17	Partly-Implemented	50%	G	Target to be established at the next Audit Committee as part of setting IA and EA plans for 17/18 with subsequent reporting of progress against target to be included as an Annex to the existing IA report in place. Currently one staff member is following up on all TrAction audits, and working with Heads/ Directors of Service to ensure that Audits are responded to in a timely fashion. Reporting of recommendations will be incorporated as part of updates to the Audit Committee.
F. EFFECTIVE DECISIONS - CABINET CLEARANCE PROCESS	22	35	• Deliver training on Equality Impact Assessments	H	Leadership Support	30.10.17	Partially-Implemented	25%	G	Equalities training included/captured in the Licence to Practice Programme to be rolled out/completed during 17/18.
	24	37	• Ensure there is the requirement for frontloading of full information at the Cabinet clearance stage in place	H	Chief Executive	Nov-17	Partially Implemented	70%	A	Cabinet report guide for 17/18 published and implemented. Dates defined for cabinet reporting and the process to follow prior to the meetings for report clearance.
	30	43	• Monitoring of Cabinet decisions, implementation and compliance, included delegated decisions. To include regular reporting to the leader and audit committee.	H	Borough Secretary	TBC	TBC	TBC	TBC	TBC
	31	44	Delivery of the Licence to Practice Organisational Development and Training Plan to address key governance areas to improve governance skill-sets and capacity	H	Borough Secretary	31.12.17	Partly Implemented	20%	G	23 modules or courses identified. Course Schedule (Incl.learning objectives) completed for all modules. Consideration of the framework and approach to commission and procurement of the modules is now underway. The preferred option of securing a strategic partnership with CIPFA to deliver the majority of the modules is now being actively progressed. Cathie Wright taken over training plan from August 2017.
	32	45	Exception reporting (to MB, Audit Committee and the Governance and Support Officer Group GSOG) to be in place across all key governance action plan areas, including the Plan itself and other key initiatives such as Licence to Practice, the implementation of agreed audit recommendations and review against compliance with CIPFA/SOLACE guidelines and also within the risk management framework in relation to the escalation of significant risks	H	Borough Secretary	30.12.17	Partly Implemented	50%	G	"On-Track" traffic light system in place on the Governance Action Plan for the implementation of the actions by the due date. Summary reports (to headline any exceptions) in place to MB and the Audit Committee. Summary report yet to be put in place for the GSOG and risk escalation to be addressed via the review of the risk management strategy

Process area	REF.	Original action plan reference number:	Revised action plan	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.08.17
G. GOVERNANCE	33	46, 47	<ul style="list-style-type: none"> Carry out fundamental review of all current NBC governance arrangements against the CIPFA/SOLACE 2016 standard. Full gap analysis and action plan to address any identified weaknesses Update the local code with annual reporting against the code to Audit Committee <p>External validation report of progress against the standard</p>	H	Governance & Risk Manager	30.09.17	Partially Implemented	80%	A	<p>Four of the five self-assessment questionnaires have been completed. The Governance and Risk Manager also completed the questionnaire based on evidence collated to demonstrate how NBC are compliant against the standard. Although initial results have been compiled, the final questionnaire needs to be completed before a conclusion can be reached and presented to the CE.</p> <p>Report to be extracted from results of self-assessment meetings above.</p>
	34	48	Ensure There are adequate processes (incl. planning, engagement and best practice processes) in place in 17/18 to produce the Annual Governance Statement (AGS) in a timely manner	H	Governance & Risk Manager	30.03.18	Partially Implemented	20%	G	Lessons learned exercise in progress and on-going on the 16/17 AGS in conjunction with Finance to identify areas for potential improvement including processes and presentation
H. FINANCIAL GOVERNANCE	45	59	<ul style="list-style-type: none"> Mandatory Training covering all aspects of financial management is in place to raise financial awareness 	H	Chief Finance Officers	30.09.17	Partly Implemented	75%	A	Financial Management Training was undertaken in March and 28 out of 34 (82%) of NBC Managers who were invited, attended. The "licence to practice" programme is under development and a further round of finance training will be undertaken as part of that. This will include not only those who were unable to attend in March, but also a refresh for those who were.
	46	60	<ul style="list-style-type: none"> Effective Whistleblowing arrangements are in place 	H	Borough Secretary	31.08.17	Partially Implemented	95%	G	Policy approved at full cabinet 21/06/2017. External provider selected and currently agreeing T's & C's with the legal team. Imminent implementation.
	47	61	<ul style="list-style-type: none"> All HR policies and procedures to be reviewed 	H	HR Business Partner	30.09.17	Partially Implemented	95%	A	Policies are now reviewed and going through the approval and assessment where necessary for EIA. It is hoped that all the new documents will be processed and completed by 30th September 2017 and will be designated for an annual review.
I. OTHER	48	62	<ul style="list-style-type: none"> Review Officer and Member Hospitality policy and guidance and publish guidance 	H	Borough Secretary	30.09.17	Partially Implemented	75%	G	<p>Officers - The Employees' Code of Conduct contains the requirements in relation to registration of personal interests and gifts/hospitality by officers. It also contains the associated forms. This document has been reviewed by the Borough Secretary's Department. It will be considered by the Standards Committee's Working Group on 3rd July 2017. It is due to be referred from the Working Group to Standards Committee for consideration on 20th July 2017.</p> <p>In the meantime, the current Employees' Code of Conduct is still in place online and contains guidance about gifts and hospitality.</p> <p>Members - A new guidance document for Members on acceptance and declaration of gifts and hospitality has been prepared on behalf of and in consultation with the Monitoring Officer. This draft document will also be considered by the Standards Committee's Working Group on 5th July and the Standards Committee itself on 20th July. If approved by the Committee it will be brought to the attention of all Members.</p>

APPENDIX 1
GOVERNANCE ACTION PLAN UPDATE - August 2017

Process area	REL.	Original action plan reference number:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.08.17	REVIEW DATE
C. PROGRAMME & PROJECT SUPPORT	10	17	• Transfer of one permanent and one fix term project management staff under TUPE from LGSS back to NBC to be completed on 1 January 2017	H	Borough Secretary	01.01.17	Fully Implemented	100%	G	Transfer completed	31.01.17
	12	19	• Appoint a Governance and Risk Manager to improve relevant areas	H	Borough Secretary	31.03.17	Fully Implemented	100%	G	Appointment effective from 27.03.17 Interim from 27/3/17 Permanent recruitment as of 5/6/17	31.12.17
E. INTERNAL AUDIT RECOMMENDATIONS	16	26, 31	• Review all internal audit recommendations since June 2013 Implement PwC audit recommendation tracking software (TrAction)	H	Finance & Strategic Business Partners	30.06.17	Fully Implemented	100%	G	Action completed Recommendations closed on TrAction	31.12.17
	18	28	• Improve internal audit reporting to Audit Committee	H	Chief Financial Officer	30.06.17	Fully Implemented	100%	G	Both the IA and EA internal audit teams have put in co-ordinated/joint reporting and also more in-depth reporting to the Audit Committee than before.	31.12.17
F. EFFECTIVE DECISIONS - CABINET CLEARANCE PROCESS	20	32, 33	• Revise and cascade changes to the Call Over process Ensure that there is an evaluation period and process for the new arrangements on Call Over	H	Chief Executive	31.12.16	Fully Implemented	100%	G	Call over process reviewed. Two stage Call Over Process implemented with Management Board oversight of standards and content of reports. Deadlines published on the intranet to assist Officers.	31.12.17
	21	34	• Deliver training on Standards Committee requirements	H	Chief Executive	31.12.16	Fully Implemented	100%	G	Fully Implemented Training programme for 17/18 published following approval at the March 2017 Standards Committee meeting. Evidenced in the minutes for the Standards Committee and included in subsequent meeting agendas.	31.12.17
	23	36	• Provide better Cabinet clearance report guidance	H	Chief Executive	31.03.17	Fully Implemented	100%	G	Cabinet report guide for 17/18 published and implemented. Dates defined for cabinet reporting and the process to follow prior to the meetings for report clearance.	31.12.17
	25	38	• Review process for formal clearance	H	Borough Secretary	31.03.17	Fully Implemented	100%	G		31.12.17
	26	39	• Review and refresh clearance process	H	Borough Secretary	31.03.17	Fully Implemented	100%	G		31.12.17

	27	40	• Ensure basic guidelines on Cabinet process are circulated	H	Borough Secretary	31.03.17	Fully Implemented	100%	G		31.12.17
	28	41	• Ensure clearance subject to compliance with final council business case and appropriate business model	H	Borough Secretary & Chief Financial Officer	31.03.17	Fully Implemented	100%	G	Action completed	31.12.17
	29	42	• Reports to contain adequate and evidenced information to support decision needed	H	Borough Secretary & Chief Financial Officer	31.03.17	Fully Implemented	100%	G	Templates are included on the Democratic Services intranet page to ensure report content is relevant.	31.12.17
	35	49	• Communicate the importance of raising purchase orders with budget managers.	H	Chief Finance Officers	30.04.17	Fully Implemented	100%	G	Financial Management Training was undertaken in March and 28 out of 34 (82%) of NBC Managers who were invited, attended. The "licence to practice" programme is under development and a further round of finance training will be undertaken as part of that. This will include not only those who were unable to attend in March, but also a refresh for those who were. PO's were included in the training presentation slides.	31.12.17
	36	50	• Enhance reporting of non-compliant purchase orders to Management Board, Directorate Management Teams and Service Management Teams by improving dashboard	H	Chief Finance Officers	31.10.16	Fully Implemented	100%	G	Action Completed Report obtained for Sept - Nov 2016 and June - August 2017. Monthly report produced for MB.	31.12.17
H. FINANCIAL GOVERNANCE	37	51	• Write to suppliers to inform them they must request an order number for any NBC work	H	Chief Finance Officers	31.12.16	Fully Implemented	100%	G	Copy of correspondence received. All suppliers listed on Agresso were sent the communication by post. Replies were not monitored.	31.12.17
	38	52	• Review system controls and implement improvements	H	Chief Finance Officers	31.10.16	Fully Implemented	100%	G	Last review by IA was in 16/17 by LGSS and PWC. KPMG have not performed any work around systems control.	31.12.17
	39	53	• Review and improve reserves drawdown process	H	Chief Finance Officers	31.12.16	Fully Implemented	100%	G	Finance have improved consistency of process, and therefore compliance, by introducing a single form for supplementary estimates/reserves/virement which includes guidance on process. The compulsory finance training undertaken in March included training on this process, and participants were tested on their understanding.	31.12.17
	40	54	• Ensure there is improved compliance with the reserves drawdown process	H	Chief Finance Officers	31.12.16	Fully Implemented	100%	G	Supplementary Estimates and Reserve Drawdowns are reported to Management Board and Cabinet as part of the regular finance monitoring reports.	31.12.17
	41	55	• Ensure there is improved reporting of the reserves drawdown process	H	Chief Finance Officers	31.12.16	Fully Implemented	100%	G		31.12.17
	42	56	• Review the supplementary estimate process and improve compliance	H	Chief Finance Officers	31.12.16	Fully Implemented	100%	G		31.12.17

	43	57	• Review virement process and improve compliance and reporting	H	Chief Finance Officers	31.12.16	Fully Implemented	100%	G		31.12.17
	44	58	• Establish a gateway process for progressing capital programme schemes through each stage of their capital programme life	H	Chief Finance Officers	30.06.17	Fully Implemented	100%	G	The action of establishing a gateway process is fully complete as the Development Pool (not Board) was established in February 2017 as part of the budget setting process. Projects will move from the Development Pool into the Approved Programme when costs have been fully quantified and a robust business case is developed and approved. The timing of this depends on the project, the fact that no projects have yet reached that stage however does not mean that the action is incomplete.	31.12.17
Deleted	63	• Review Cabinet clearance process	Duplicating no: 38 & 39								
Deleted	64	• Identify risk from lack of compliance	Duplicated								
Deleted	65	• A Cabinet report writing guide is produced and is monitored for compliance	Duplicating No: 36 & 67								
Deleted	66	• Identify risk from lack of compliance	Duplicated								
Deleted	67	• A Cabinet report writing guide is produced and is monitored for compliance	Duplicating No: 36 & 67								

Appendices 1:

ISA260 Action Plan



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	ISA260 2015/16 & 2016/17 Interim Audit Report - Action Plan Progress
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	11 September 2017
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred

1. Purpose

- 1.1 To inform Audit Committee of the progress and closing off of the recommendations raised as part of the External Auditor's 2015/16 ISA260 Report and their 2016/17 Interim Report.

2. Recommendations

- 2.1 That the Audit Committee notes the progress achieved to date against the action plan developed by the statutory S151 Chief Finance Officer (CFO) to make improvements in line with the 2015/16 ISA260 and 2016/17 Interim Report Recommendations.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Audit Committee received the annual ISA260 External Auditor report from KPMG at the meeting on 5th September which included a number of recommendations for improvements, and initial responses from management. The 2015/16 annual external auditor letter reported to audit committee on 14th November also included a further recommendation around business appeal provisions. The Interim Audit report received by Audit Committee in June 2017 also included a further recommendation around the use of interim staff.

3.1.2 Audit Committee requested from management that a regular report be brought to each subsequent audit committee detailing progress against the audit recommendations.

3.2 Progress against external audit recommendations

3.2.1 The ISA260 action plan included 41 separate actions to deal with the 9 recommendations from the 2015/16 ISA260 and audit letter, and 2 recommendations brought forward from 2014/15. There was one further recommendation in the 2016/17 Interim Audit report which had two management actions reported against it. This gives a total of 43 actions. The table below is a summary of the progress against each of the recommendations:

KPMG recommendation area	Total actions	Completed as at June Audit Committee	Completed since June	Outstanding as at August
Retrospective orders	6	6	0	0
Internal Audit coverage and assurance	4	4	0	0
General IT controls	4	4	0	0
Controls/processes for issuing loans	6	5*	1	0
Audit working papers	5	5	0	0
Revaluation of council dwellings	3	2	0	1
Reconciliations	6	5	1	0
Accrual levels	1	1	0	0
Pensions data	1	1	0	0
Payroll data quality	2	2	0	0
Business rate appeal provision	3	3	0	0
Use of temporary and interim staff **	2	0	0	2
Total	43	38	2	3

*One action transferred to the governance action plan as reported to last audit committee

**Additional recommendation from 2016/17 Interim Audit Report

3.2.2 Since the audit committee in June 2017 a further 3 actions have been completed

3.2.3 There are three outstanding actions which have all had progress against them, but are not fully complete and are listed below.

3.2.4 The valuation of housing assets has been undertaken by an external valuer due to the internal assets team having no qualified valuers due to vacancies. The valuation has been completed in the required timeframe to meet the

deadline for inclusion in the draft accounts, assets and finance staff have signed off the main report, but the valuation process has not been documented.

- 3.2.5 The two actions around recruiting permanent staff to the LGSS Integrated Finance Team, and finalising how year end valuation work within the Assets Service will be delivered, are yet to be completed.
- 3.2.6 The actions around development of a loans checklist have all been completed, however at this stage the checklist has not been used to assess any new loans so its effectiveness has not been fully tested. The authority have received initial feedback from the external auditors on the checklist, but this will be finalised following completion of the audit.
- 3.2.7 The improved process and signoff for checking the completion of payroll reconciliations has only been implemented in July 2017 and is still bedding in.
- 3.2.8 Appendix 1 includes the detail and progress around all the action plans to address the external audit recommendations, for this report the appendix has been condensed from previous versions to focus on the areas outstanding.

3.3 Choices (Options)

- 3.3.1 The Committee are being asked to review the ISA260 action plan and note progress against it.
- 3.3.2 The Committee could request that following review, amendments are made to the action plan.

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

- 4.2.1 There are no direct financial implications arising from this report.

4.3 Legal

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

4.4 Equality

- 4.4.1 There are no equality implications arising from this report.

4.5 Consultees (Internal and External)

- 4.5.1 Management Board has been engaged in the production of the management action plan, and have been reviewing it at regular intervals

4.6 Other Implications

4.6.1 There are no other implications arising from this report.

5. Background Papers

- 5.1 The External Audit ISA260 report presented to Audit Committee on 5th September 2016 and External Audit Annual Audit Letter presented to Audit Committee on 14th November 2016.
- 5.2 The 2016/17 Interim Audit Report presented to Audit Committee on 27th June 2017

Chris Randall, Strategic Finance Business Partner, LGSS, 0776 936 5372

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
The Authority should ensure that purchase orders should be raised for the purchasing of goods and services through the purchase order process (where appropriate), prior to the Authority committing itself to the purchase. Reports should be run on a regular basis to identify all non compliance and take appropriate follow up action	Various	Various 6 actions	Latest December 2016	All completed		Completed
The Authority should ensure that it undertakes a thorough assessment of both internal audit providers annual audit plans for 2015/16 to ensure that appropriate assurance and systems coverage is provided during 2015/16	LGSS Strategic Finance Manager	Various 4 actions	Latest 30th November 2016	All completed		Completed
Timely leaver forms need to be completed and cascaded to the relevant departments, including to IT. User access to applications needs to be reviewed on a periodic basis. In addition, the departing employee's access rights should be revoked as part of the standard leaving procedures. This process should be co-ordinated between HR and IT.	Various	Various 4 actions	31st January 2017 Latest 31st March 2017	All completed		Completed

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
29 The Authority should put in place a systematic, robust, and objective process of assessing and documenting the due diligence procedures carried out on loan applicants. This process should be transparent and the due diligence process undertaken by qualified individuals. Any decision will need to be fully documented, including the reasoning and consideration of risks. The process should include a review by a senior officer and this should be evidenced.	NBC Chief Finance Officer	Internal review of all existing loans to assess against recommendations arising in ISA260	30th November 2016 31st January 2017 31st March 2017 30th June 2017	Information collated and an initial review has been done of the information. Following incorporation in early April of internal auditor comments where appropriate, the internal legal section have also reviewed the checklist during May. Finance staff have now assessed the existing loans against the checklist and identified a number of learning points for future assessments of new loan requests. This work has been shared with KPMG who have made some initial comments which officers are following up, and further comments are expected as part of the final audit work. In addition the S151 officer has requested that regular checks are done on the organisations who have existing loans to identify potential future issues, to enable the council to take appropriate actions.		Completed
	NBC Chief Finance Officer	Develop and implement a loans framework / checklist	31st December 2016	First draft in completed. Has been informed by meetings with external experts (Council bankers) in November		Completed
	NBC Chief Finance Officer	Meet with external experts to review due diligence approach and checklist	30th November 2016	Meeting occurred with Barclays on 14th November. Checklist amended following meeting		Completed
	NBC Chief Finance Officer	External validation of loans checklist	31st December 2016 31st January 2017	Pwc & LGSS Internal Audit to review first draft which was completed at end of December and available for review during January. Both internal auditors have sent their comments to management during February and they were considered to revise the checklist where appropriate		Completed
	NBC Monitoring Officer	Review governance arrangements (decision making, project management, reporting, officer, member, cabinet/council)	Now part of governance action plan	This now forms part of the governance action plan and is being reviewed by the governance programme board to determine most appropriate approach		Completed

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
as above	NBC Monitoring Officer	Review risk management arrangements	31st December 2016	PwC were commissioned and have completed their review of the strategy and framework (guidance document) and role specification of a new governance and risk manager post. A draft risk management policy and strategy has been presented to management board for consideration		Completed
The Authority should ensure that all key closedown staff receive and review the <i>Accounts Audit Protocol</i> prior to producing working papers for the audit. The overarching principle is working papers should provide a clear and concise audit trail from the financial statements through to sufficient and appropriate evidence within supporting working papers. Working papers need to: — Be clear, with explanations if needed. The working papers need to be written from the view point of someone external to the organisation; and Be supported by strong evidence, for example, third party documentation.	Various	Various 5 actions	Latest 28th February 2017	All completed		Completed

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
31 The information requested, and provided by the valuer, should meet all the criteria within the Code and provide a clear and concise audit trail relating to the methodology and assumptions used in the valuation process. All evidence should be maintained and made available prior to the start of the audit. The Authority should ensure that it fully fulfils its responsibility to review, challenge and understand the information provided by the valuers as required by guidance.	NBC Corporate Asset Manager	Review and document the revaluation of council dwellings process to ensure they meet the requirements of the code.	31st March 2017 30th June 2017	Regular meetings between Estates and Finance are taking place , whereby the valuation process and challenge have been documented. The lack of documentation re the year end impairment exercise was of particular concern to the auditors. The asset section has no permanent full time valuation staff with the two agency valuation staff having left in January and February, and has therefore commissioned an external valuation company to complete this task. The valuation figures were returned to the council in mid May for inclusion in the draft accounts and the full valuation report was received at the beginning of June. Assets and finance staff have reviewed the final report to ensure appropriate sign-off prior to external audit of the draft accounts.		Outstanding
as above	NBC Corporate Asset Manager	Ensure that Asset Management Team have appropriate capacity and knowledge to undertake valuation work to achieve the closedown timescales - Asset Manager	30th November 2016	The update meetings that have been held during October 2016 have confirmed that the timeframes for the valuations will be met, this needs to be regularly reviewed as currently there is a high number of interims within estates, and some of the work is being undertaken by third parties		Completed
as above	LGSS Group Accountant (Integrated Closedown Team)	Finance staff to review and challenge both revaluation work and process documentation	30th November 2016	Finance staff have undertaken during October 2016 a challenge on the revaluation work for the revaluation of council dwellings as at 1st April 2016. Asset management have agreed to document their response to this challenge. The documentation to support the year end impairment review exercise for 31st March 2017 reflecting the annual change in property prices will now be provided by asset management in line with the format developed for the 2015/16 final audit by finance.		Completed

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
32 The Authority needs to ensure that quality checks are undertaken on all key controls. This should be embedded within the reconciliation process. The Authority should ensure all the issues above are dealt with and that full reconciliations are carried out across all appropriate systems and balances. All unreconciled balances should be identified and cleared, or written-off in a timely manner.	LGSS Payroll Manager	Review and monitor the payroll reconciliations process to ensure reconciliation items are identified and cleared within a timely period	30th September 2016, 31st October 2016 and ongoing	LGSS Finance Partners have reviewed reconciliations done by LGSS payroll team up to December 2016, and have been working with the new payroll staff since the transfer of the service back to NBC have agreed those historical balances that need to be written off and these will be included in the draft accounts. The payroll team continue to review some historical balances to establish the appropriate treatment and are ensuring monthly payroll reconciliations since January 2017 result in identification of new entries early to enable them to be corrected. The HR business partner now reviews on a monthly basis the reconciliations undertaken by the payroll team, and then passes the reconciliations to the LGSS Finance Business Partner Team for further sign-off. This will allow issues to be escalated in a timely manner by senior staff.		Outstanding
as above	LGSS Audit and Risk Manager (NBC)	A comprehensive risk assessed payroll systems audit needs to be undertaken by Internal Audit	31st January 2017	The LGSS Internal Audit plan now includes proposals for a payroll audit, including a review of actions on data quality		Completed
as above	PwC - NBC's Internal Auditors	A payroll review to be undertaken by NBC's Internal Auditors post the implementation of the new payroll service provider planned during 2016/17	31st March 2017	LGSS Finance have raised this action with PwC internal audit manager. PwC undertook payroll review fieldwork during March and have issued a draft report to the authority in April		Completed
as above	LGSS Revenues Manager	Ensure that discrepancies between the properties included on the NDR and Valuation Officer reports are identified and corrected in a timely manner	30th September and on going	this is now being done on a regular basis by the LGSS Revenues manager.		Completed

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
as above	LGSS Audit and Risk Manager (NBC)	Internal Audit need to review and consider what Revenues system work is included within their Audit Plan for 2016/17 and present to the NBC S151 officer for sign-off	31st October 2016	LGSS Internal Audit have confirmed as part of their proposed audit work for 2016/17 to undertake high level control testing for the three revenues systems. Part of the audit report to the November Audit Committee		Completed
as above	LGSS Accountant (Housing)	Review and improve existing reconciliation process.	31st October 2016	LGSS Finance have reviewed the process, and have incorporated an improvement to the year end working papers to ensure correct year end balances included. This has been done using an additional control check box on the reconciliation spreadsheet		Completed
The Authority should ensure it strengthens its year end cut-off procedures and that controls are sufficiently-robust to ensure correct procedure is followed. The Authority may wish to consider the impact on raising its de minimis level to reduce the manual input required in this process. A review of cut-off is particularly important given the move to a shorter timetable for the accounts process from 2017/18, and the reduced time to produce the financial statements.	LGSS Group Accountant (Integrated Closedown Team)	Undertake a review of de-minimus level and if required amend closedown procedures/guidelines accordingly, communicate to NBC budget managers and liaise with external auditors	30th November 2016 (review), 31st December 2016 (refresh procedures & liaise with external auditors) and 31st January 2017 (communicate to NBC budget managers with closedown guidance) timetable)	The S151 officer agreed an increase in the accruals de-minimus limit from £1,000 to £5,000. This was reported to Audit Committee in March 2017 alongside other proposed changes to the accounts and policies to comply with the 2016/17 accounting code of practice.		Completed
The Authority should review all information provided to the pensions authority on a monthly basis. This should be evidenced via sign-off by a senior individual.	LGSS Strategic Finance Manager	Ensure more a complete reconciliation is done which is then signed off by an appropriate senior manager	30th November 2016	Confirmation from payroll manager and pensions teams that monthly reconciliations being done between payroll reports and transfers to the pension authority, and signed off by the payroll service manager. Where differences are identified these are corrected in the following month		Completed
The Authority should investigate instances of data quality issues. In addition, the Authority should investigate all incidences of salary payments to staff after the end dates.	LGSS Payroll Manager	Various 2 actions	Latest 31st October and ongoing	All completed		Completed

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
The Authority should continue to use its own historical data to inform and refine its estimate of its share of liability arising from successful appeals. Notwithstanding whether the Authority decides it should change its provision based on this information, sufficient and appropriate audit evidence should be maintained and provided to evidence the decision process undertaken, as well as management review and sign-off of the final position. The Authority should provide appropriate and sufficient narrative explanations with regards to why the Authority believes that the approach taken is the most appropriate or prudent, especially when there are valuation differences between methodologies.	LGSS Strategic Finance Manager	Various 3 actions	Latest 30th April 2017	All completed		Completed
34						
We recommend the Authority looks to appoint permanent members of staff as a matter of urgency	LGSS Head of Integrated Finance	The Group Accountant Closedown lead for Northampton Borough and Milton Keynes will be advertised and recruited to	30th September 2017	The Head of Integrated Finance has started the recruitment process for the permanent group accountant role in late August, and will be continuing with it after the summer holiday period		Outstanding
as above	Director of Regeneration, Enterprise and Planning	The delivery of assets services including valuation work feeding into the year end financial statement of accounts will be reviewed as part of the Directorate wide structure review. All options including using contracted external companies will be considered		Mar-18 The restructure process is on hold following the resignation of the Director leading on the process. The Interim Director along with Directorate Heads of Service will be progressing this, in particular to ensure year end valuation work can be delivered for the 2017/18 accounts		Outstanding

On track for delivery, substantial progress already made

On track for delivery, some progress made

Concerns on delivery



ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
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Appendices
None



AUDIT COMMITTEE REPORT

Report Title	Proposed external auditor appointment from 2018/19
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	11 th September 2017
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 This report outlines the next stage of appointing an external auditor for 2018/19 onwards.

2. Recommendations

2.1 It is recommended that the Audit Committee note and accept the selection of Ernst & Young LLP (EY) as the authorities proposed external auditors to audit the Council's accounts for five years from 2018/19.

3. Issues and Choices

3.1 Report Background

3.1.1 On 14th November 2016 the Audit Committee agreed to recommend to the next Council meeting that Northampton opt to join the national scheme for external auditor appointments for five years commencing 1st April 2018 offered by the Public Sector Audit Appointments (PSAA). Subsequently, on 12th December 2016, Council accepted that recommendation of the Audit Committee.

- 3.1.2 PSAA must, under regulation 13 of the Regulations, appoint an external auditor to each opted-in authority and consult the authority about the proposed appointment.
- 3.1.3 PSAA have now completed a procurement to let audit contracts from 2018/19. EY was successful in winning a contract in the procurement, and PSAA propose appointing this firm as the auditor of Northampton Borough Council.
- 3.1.4 Ernst & Young LLP is a multinational professional services firm with 231,000 employees based in over 150 countries worldwide. They provide assurance, tax, consulting and advisory services, and are one of the "Big Four" accounting firms. EY employs around 13,000 people in the UK. There are 240 staff including 14 Key Audit Partners who currently work full-time in the Government and Public Sector assurance service team, who are also able to draw from an extensive pool of specialists.
- 3.1.5 In developing this appointment proposal, PSAA have applied the following principles, balancing competing demands as much as they can, based on the information provided to them by audited bodies and audit firms:
- ensuring auditor independence, as required to do by the Regulations;
 - meeting commitments to the firms under the audit contracts;
 - accommodating joint/shared working arrangements where these are relevant to the auditor's responsibilities;
 - ensuring a balanced mix of authority types for each firm;
 - taking account of each firm's principal locations; and
 - providing continuity of audit firm if possible, but avoiding long appointments.
- 3.1.6 PSAA are consulting on the proposed appointment of EY to audit the Council's accounts for five years from 2018/19. The consultation will close on the 22nd September 2017.
- 3.1.7 It is understood that E&Y are also likely to be appointed as the external auditors for most of the other local authorities in the region.
- 3.1.8 PSAA will consult on scale fees for 2018/19 in due course and will publish confirmed scale fees for 2018/19 for opted-in bodies on our website in March 2018. The results of the audit procurement indicate that a reduction in scale fees in the region of approximately 18 per cent should be possible for 2018/19, based on the individual scale fees applicable for 2016/17.

3.2 Choices (Options)

- 3.2.1 The Audit Committee could accept the proposed appointment of Ernst & Young LLP to audit the Council's accounts for five years from 2018/19. This is the recommended option.
- 3.2.2 The Audit Committee could choose to make representations to PSAA about the proposed auditor appointment within the consultation period. Representations can include matters that the Council believe might be an impediment to the proposed firm's independence, were it to be appointed as

the Council's auditor. If PSAA accept any representations they will consult on an alternative auditor appointment.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no policy implications arising from this report.

4.2 Resources and Risk

4.2.1 There is no immediate risk to the authority, although at this stage it is not possible to estimate whether the cost of external audit provision will remain at the current reduced levels.

4.3 Legal

4.3.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;

4.3.2 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

4.3.3 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

4.4 Equality

4.4.1 There are no equality implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Finance staff have consulted with other finance staff in neighbouring Local Authorities, and the Council's own Monitoring Officer.

4.6 Other Implications

4.6.1 There are no other implications arising from this report.

5. Background Papers

- 5.1 Local Audit and Accountability Act 2014 (the Act) and also the Local Audit (Auditor Panel) Regulations 2014 (the Auditor Panel Regulations).

Antony Russell
Senior Finance Business Partner

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

Appendices
1



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Finance Monitoring to June 2017
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	11 th September 2017
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To present Audit Committee with the Financial Monitoring position to the end of June 2017.

2. Recommendations

2.1 That the Committee note the contents of the report.

3. Issues and Choices

3.1 Report Background

3.1.1 This financial monitoring information was considered by Cabinet on 19th July. The Cabinet report is appended for consideration by this Committee.

3.1.2 During the course of this financial year regular monitoring reports will be provided to Cabinet, detailing the latest forecasts for revenue and capital and additionally focusing on key financial issues on a cyclical basis. This report provided an update on the position for the Enterprise Zone

3.2 Issues

3.2.1 See Cabinet report appended.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 See Cabinet report appended

4.2 Resources and Risk

4.2.1 See Cabinet report appended

4.3 Legal

4.3.1 There are no direct legal implications arising from this report

4.4 Equality

4.4.1 See Cabinet report appended

4.5 Consultees (Internal and External)

4.5.1 NA

4.6 Other Implications

4.6.1 NA

5. Background Papers

5.1 Cabinet Monitoring Report 19th July 2017

Glenn Hammons, Section 151 Officer, 01604 366521



CABINET REPORT

Report Title	Finance Monitoring to 30 June 2017
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	19 July 2017
Key Decision:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	N/A

1 Purpose

- 1.1 The purpose of this report is to assist Cabinet in monitoring the delivery of the Corporate Plan within the agreed capital and revenue budgets for the General Fund (GF) and Housing Revenue Account (HRA).
- 1.2 To inform Cabinet of the latest forecast outturn position for the Council's capital programme for 2016-17 and changes to the Programme approved under delegated powers.
- 1.3 During the course of this financial year regular monitoring reports will be provided to Cabinet, detailing the latest forecasts for revenue and capital and additionally focusing on key financial issues on a cyclical basis. This report provides an update on the position for the Enterprise Zone.

2 Recommendations

- 2.1 That Cabinet reviews the contents of the report and identifies actions to be taken to address any issues arising from it.

3 Issues and Choices

3.1 Report Background

- 3.1.1 This is the first of a series of monthly reports to Cabinet which, as well as providing an overview of the position on revenue and capital budgets, will focus on a particular financial issue.
- 3.1.2 This report provides detail in relation to the Enterprise Zone. A timetable will be developed to ensure coverage across a range of financial issues during the year, with a focus of areas of financial risk.

3.2 Key Financial Indicator Exceptions

Dashboard Indicator Description	Variation from Budget	
	General Fund	Housing Revenue Account
	£000	£000
Controllable Budgets	(121)	(37)
Debt Financing and Recharges	0	0
Total	(121)	(37)
Net transfer to/(from) reserves	0	37
Total	(121)	0

3.3 General Fund Revenue Budget (Blue)

- 3.3.1 It is very early in the financial year and as such only minimal variations are forecast in many areas. Overall forecast expenditure is £161k (0.5%) below budget. The following table summarises the variations from budget for the General Fund.

Service Area	£000
Asset Management	18
Economic Development and Regeneration	0
Head of Planning	18
Housing	92
Borough Secretary	21
Director of Customers & Communities	(310)
Corporate	0
Controllable Total	(161)
Debt Financing	0
General Fund Total	(161)

3.3.1.1 Asset Management

Forecast overspend mainly relates to additional temporary staff covering vacant positions and professional services to carry out valuations.

3.3.1.2 Head of Planning

Forecast overspend on salaries due to regrading of post.

3.3.1.3 Head of Housing and Wellbeing

Forecast overspend is mainly due to additional costs for agency staff in Housing Options and Advice, Home Adaptations and Housing Standards.

3.3.1.4 Director of Customers and Communities

Overall forecast underspend reflecting additional deductions made through the Environmental Services Contract and staffing savings.

3.3.2 Where applicable Budget Managers are working to mitigate the pressures on their budgets and bring forecasts back in line with budgets.

3.3.3 Particular focus will be given to monitoring areas of known high risk where expenditure and income is demand-led, i.e. homelessness, car parking income and development control income.

3.3.4 The outturn position, as reported to Cabinet in June, highlighted a number of significant variances against budgets in 2016/17. All budgets will be reviewed as part of the 2018/19 budget process to assess their robustness and any scope to reduce budgets without affecting service delivery.

3.4 Controllable HRA Revenue Budget (Green)

3.4.1 The forecast underspend position on the HRA of £37k relates mainly to staff vacancy savings within NPH.

3.5 Capital Programme

3.5.1 General Fund Capital Programme

3.5.1.1 The General Fund Approved Capital Programme budget stands at £23m including the carry forwards from 2016/17 and the additional funding for Delapre Abbey approved by Cabinet in June. No significant underspends or overspends are currently forecast, although £1.3m of expenditure on the Central Museum is expected to be carried forward to 2018/19.

3.5.1.2 As part of the 2017/18 budget process enhanced governance of the capital programme was approved, in order to ensure that cost estimates are robust before schemes are commenced. This included the creation of a "Development Pool" in which schemes remain until the costs and phasing of the scheme is firmed up. This will help to reduce the level of over and underspends and carry forwards in the capital programme. As at the end of May the six schemes that were placed in the Development Pool in the

February budget report remained there, with a total estimated value of £3.9m. Most significant of these is £2m earmarked for the St James Mill Link Road. None will be commenced until a fully costed business case is produced and agreed.

- 3.5.1.3 The financing of the capital programme assumes that around £5m of capital receipts will be received during 2017/18. None have been received to date and it is therefore imperative that no new schemes are added to the capital programme unless a clear and certain funding source is identified.
- 3.5.1.4 Funding for Disabled Facilities Grants is partly covered by central government funding through the Better Care Fund. The full 2017/18 allocation of £1.198m will be passported by the County Council to the Borough. The remainder of the £1.475m expenditure on DFGs is funded by the Borough Council's own resources.
- 3.5.1.5 Any further additions to the capital programme, including further strategic property purchases, will be subject to the development of a robust business case. In line with Financial Regulations, any proposed additions to the programme greater than £250k and/or requiring additional funding from Council resources, will be brought to Cabinet for approval.

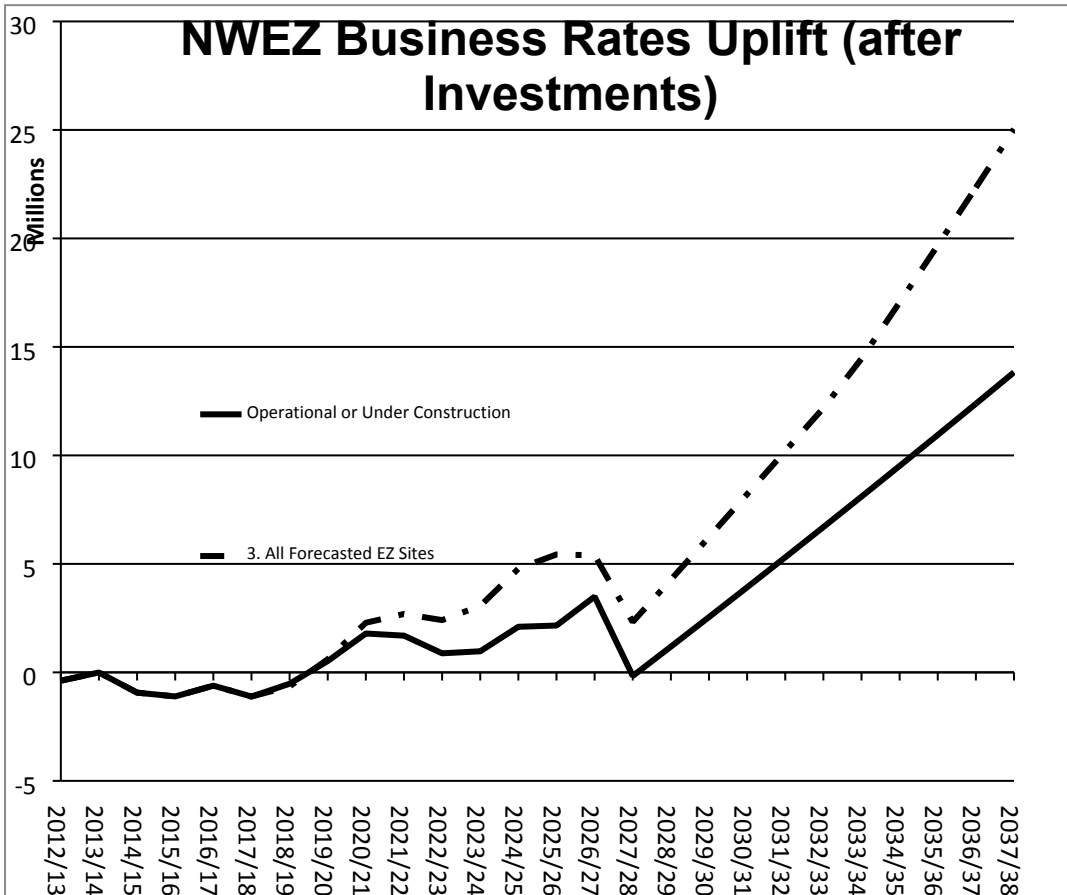
3.5.2 HRA Capital Programme

- 3.5.2.1 The approved HRA Capital Programme for 2017/18 totals £35.29m, including the carry forward of £275k from 2016/17. No significant underspends or overspends are currently forecast.

3.6 Enterprise Zone

- 3.6.1 An Enterprise Zone (EZ) is an area in which the Government offers incentives such as tax concessions, simplification of local authority planning etc. to encourage business investment. Northampton Waterside Enterprise Zone (NWEZ) was established in 2012 and is establishing itself as the driving force of the local economy as it unlocks key development sites, improve infrastructure, attracts new businesses and jobs.
- 3.6.2 All Business rates generated by an EZ is retained by the Local Enterprise Partnership (LEP) and local authorities in the area for 25 years to reinvest in local economic growth, known as Business Rates Uplift (BRU). A Memorandum of Understanding between the South East Midlands Local Enterprise Partnership (SEMLEP) and Northampton Borough Council on use of some of BRU for certain related costs was signed off in 2012. This included 100% of running costs and other development and infrastructure costs required to enhance development opportunities.
- 3.6.3 To date SEMLEP and NBC have pump-primed a number of opportunities to encourage development within the NWEZ. SEMLEP have utilised funding from the Growing Places Fund and Local Infrastructure Fund, whilst NBC utilised the uplift in funding from New Homes Bonus to provide pump-priming for the revenue administration costs. These arrangements are due to be repaid in the coming years from anticipated BRU, and include a contribution to the development of Northampton Castle Station and improvements to St Peters Way Roundabout.
- 3.6.4 The realisation of BRU will be delivered primarily from external developers and consequently there is inherent risk with forecasts of BRU across NWEZ. An assessment has been completed to assess all planned developments with the potential impact shown below. The risks have been categorised as: Operational or Under Construction (Solid Line) or All Forecasted EZ Sites (Dashed Line).

3.6.5 NWEZ is forecast to generate positive cash-flows from 2018-19, thus reducing the accumulated deficit, however these forecasts are dependent on delivery of future development sites. This becomes critical to the cash-flow position as from 2021-22 repayment of the loans that “pump-primed” a number of infrastructure projects will increase the annual expenditure over a number of years.



3.7 Choices (Options)

3.7.1 Cabinet is asked to note the reported financial position.

4 Implications (including financial)

4.1 Policy

4.1.1 The Council agreed a balanced budget for the Capital Programme and Revenue Budgets for both the General Fund and the HRA in February 2017. Delivery of the budget is monitored through the budget monitoring framework.

4.2 Resources and Risk

4.2.1 This report informs the Cabinet of the forecast outturn positions for capital and revenue, for both the General Fund and HRA, as at the end of May 2017. It also highlights the key risks identified to date in delivering those budgets and where performance measures are significantly over or under performing.

4.2.2 All schemes included in the capital programme, or put forward for approval, are fully funded, either through borrowing, internal resources or external funding arrangements.

4.3 Legal

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

4.4 Equality and Health

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

4.4.2 A full Community/Equalities Impact Analysis has been completed for the 2017/18 Budget and is available on the Council website.

4.5 Consultees (Internal and External)

4.5.1 Heads of Service, Budget Managers and Management Board are consulted as part of the budget monitoring process on a monthly basis.

4.6 How the Proposals Deliver Priority Outcomes

4.6.1 Performance monitoring (including financial monitoring) by exception and using it to improve performance is good practice in terms of efficient and effective management. It contributes directly to the priorities of sustaining “effective and prudent financial management” and being “an agile, transparent organisation with good governance”.

4.7 Other Implications

4.7.1 There are no other implications arising from this report.

5 Background Papers

5.1 Cabinet and Council Budget and Capital Programme Reports February 2017

Management Board, c/o David Kennedy, Chief Executive, 01604 837726
Glenn Hammons, Section 151 Officer, 01604 366521

Appendices: 1



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Corporate debt – Progress and Age debt analysis
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	11 th September 2017
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To update Committee on the position regarding the Council's outstanding debts as at 31st July 2017.
- 1.2 The detailed focus of the report this month is primarily on Council Tax as this is the area that has been receiving the most scrutiny recently.

2. Recommendations

- 2.1 To note the latest position in relation to the Council's outstanding debts as at 31st July 2017
- 2.2 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Revenues and Benefits Service compile a corporate debt summary that monitors the % of debt not currently managed (inactive debt) within the Council. This has been in place for a number of years and provides assurance that all debt is managed to a high standard and not left idle. The % that is shown relates to debt that has fallen out

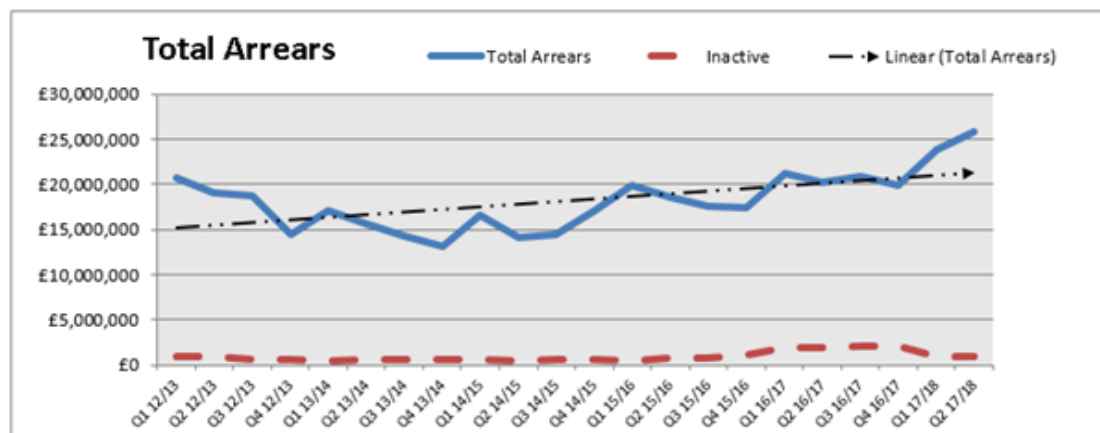
of one status and is in the process of being moved to another stage. This summary also provides a view of the current status of debt.

- 3.1.2 Managed debt is where a debt type is within a specific set of clearly measurable criteria, and unmanaged debt is outside these criteria. An example of this is:

Criteria “Invoiced debt will be sent a reminder if it remains unpaid after 28 days”. All debts invoiced and outstanding less than 29 days is “managed”, any debt outstanding after 28 days, outstanding and not issued with a reminder is “unmanaged”. The debt that has just had a reminder issued would then become subject to a new set of criteria for invoices at reminder stage, which it is measured against.

- 3.1.3 This principle supports the theory that managed debt is more likely to be paid, and more promptly. It can be applied to all stages in the life of a debt, how long a disputed debt is on hold, how long a debt is with enforcement agents, or how long it takes to go through a legal process etc.
- 3.1.4 The process supports evidence gathering for process change and improvement, identifying blockages, removing hearsay and myth busting, and the write-off of irrecoverable debts at an earlier stage.
- 3.1.5 Each service area has a detailed recovery timetable, with definitions of debt type and criteria that recovery is taken against.
- 3.1.6 The amount of unmanaged debt is a corporate KPI. Currently being no more than 4.5% of the total amount of outstanding arrears.
- 3.1.7 Although the KPI is measured on a monthly basis for internal performance purposes, it is reported quarterly, and the graphs used below provide a pictorial illustration of performance since the 1st April 2012.
- 3.1.8 Half-yearly performance for the same period, demonstrated by value of managed, unmanaged and total arrears outstanding can be found in Appendix A.

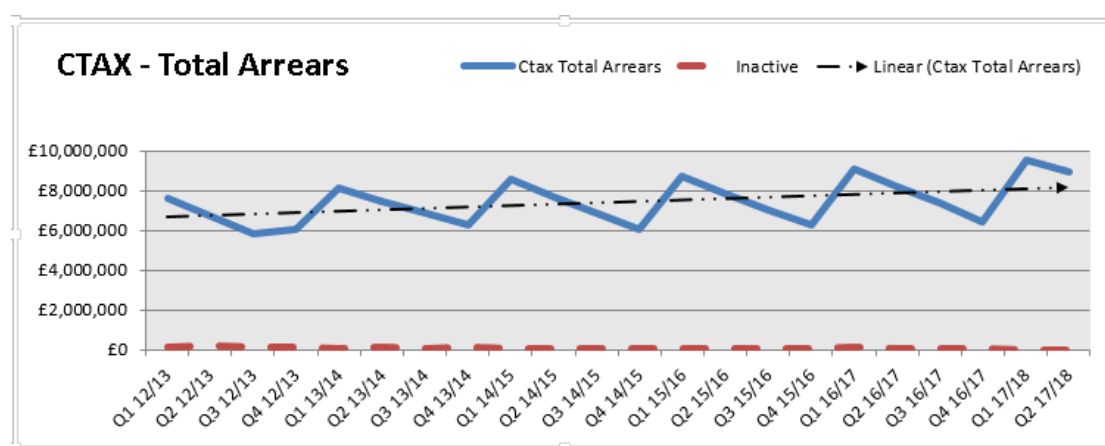
3.1.9 Overall debt levels as at 31st July 2017



3.1.10 The overall outstanding arrears have increased by £4,163k compared to the same point last year. Please see individual debt types for explanation of the increase.

3.1.11 Unmanaged debt is £449k more than the same time last year. The majority of unmanaged debt within the Council sits within Asset management and is currently standing at £484k, Exchequer at £49k and Licensing at £23k. The Asset management debt type is the collection and recovery of the commercial rent and any associated insurance, for council land and buildings. This does not include the Council's housing stock.

3.1.13 Council Tax as at 31st July 2017



3.1.14 The overall outstanding arrears are £210k more than at the same point last year, which is due to an increase in the Council Tax charge in 2016/17 and a reduction in the 2016/17 Council Tax Reduction Scheme. However the arrears have reduced by £200k since last month.

- 3.1.15 Unmanaged debt is £114k less than the same time last year although the amount of debt collected against arrears is £40k lower during this financial year thus far.
- 3.1.16 The continued introduction of Welfare Reforms continue to increase the pressure on those liable for Council Tax and on a low income. There has also been a significant rise in the number of attachment of benefits orders.
- 3.1.17 The current amount of unmanaged (inactive debt) is 0.08%, which is an improvement on last month and better than this time last year and seen as good performance and maximising the opportunity to collect any outstanding arrears.
- 3.1.18 Whilst there are pressures on in-year collection, the table shows that the Council is making efforts to collect monies over the longer term. This is more often than not, arrangements of smaller amounts over the longer term. This is the most proven way of helping our customers make sustainable repayment plans and equally allowing the balancing of their personal budgets.
- 3.1.19 Comparison between the 31st July 2017 and the 31st July 2016
- 3.1.20 The continued introduction of Welfare Reforms continues to increase the pressure on those liable for Council Tax and on a low income. There has also been a significant rise in the number of attachment of benefits orders.
- 3.1.21 The table below 3.1.25 provides some context around the impact that the welfare reforms are having on both our service users and the service.
- 3.1.22 The Council Tax Reduction Scheme (CTRS) is the support provided towards the Council Tax for those customers on a low income.
- 3.1.23 An Attachment of Benefit (AOB) is a deduction from a debtor's benefit, which can only be made after a liability order has been granted. The current rate is £3.70 per week.
- 3.1.24 Special Arrangements (SPARs) are non-statutory arrangements made on accounts where a summons has been issued and a customer has agreed to repay the debt over a period of time, based on their personal circumstances.

3.1.25 The table below highlights some of the key impacts, predominately as a result of the introduction of welfare reforms

In-year collection rate	38.66%	31-Jul-17	38.26%	31-Jul-16
Annual CTRS award	£10.5m	2017/18	£11.0m	2016/17
Uncollected liability CTRS cases	£3.5m	31-Jul-17	£2.9m	31Jun16adj
CTRS caseload	15,531	31-Jul-17	16,056	31-Jul-16
AOB	£1.1m	31-Jul-17	£1m	31-Jul-16
Monthly amount collected	£26.4k	31-Jul-17	£28.5k	31-Jul-16
AOB hold	584k	31-Jul-17	404k	31-Jul-16
SPARs	£1.1m	31-Jul-17	£1.8m	31-Jul-16
Reminders & Finals issued	29,565	31-Jul-17	27,104	31-Jul-16
Summons	5,558	31-Jul-17	4,819	31-Jul-16

3.1.26 The Council has implemented cut of 6% in the amount of CTRS awarded in 2017/18. Although the overall collection rate is up from 38.26% to 38.66%, the cases where CTRS is awarded the collection rate has dropped from 32.96% in 16/17 to 32.7%, in comparison to the end of July.

3.1.27 The Council continues to be collecting debt from people, who in previous years, were used to receiving more financial support for their Council Tax.

3.1.28 Whilst the annual amount of CTRS awarded has reduced by 4.5%, the amount of uncollected liability on the same cases has increased by £600k.

3.1.29 The CTRS caseload falling by 3.7% means that the uncollected liability is also being borne by fewer customers.

3.1.30 The amount of debt subject to an attachment of benefit is £100k higher than last year, and the amount of debt being held awaiting an existing attachment to be paid off, £180k higher. A customer can only have one attachment for council tax in operation at any given time. Although there has been an increase in the amount of debt at the DWP, the monthly amounts being paid direct from the DWP has decreased by over £2,000 per month, with debt “backing-up” for the same customers.

3.1.31 The issue of Reminders and Final Notices has increased compared with this time last year [9.08%] and the issue of summonses has increased by 15.34% [equating to around 700 summonses]. This owing partly to sending out Finals earlier than previously and partly to the increase in customers unable to pay because of CTR changes

3.1.32 Collection Rates for CTRS cases

3.1.33 The table below highlights the comparison between the claimant types between the 31st July 2017 and the 31st July 2016.

July	2017/18			
CTRS SCHEME	LIABILITY	RECEIPTS	COLLECTION RATE	UNCOLLECTED
	£	£		£
Vulnerable households are claimants who are either lone parents or couples with at least one dependent under 5 years old.	573,475.18	147,397.09	25.70%	426,078.09
Vulnerable are claimants on NBCs local scheme or modified scheme e. g. War widows and disablement pension cases	417.58	1,433.98	343.40%	-1,016.40
Pensionable cases are claimants who are of pensionable age and are exempt from the CTRS reduction.	872,139.06	422,335.85	48.43%	449,803.21
Working age employed are claimants who are either single people or couples who are in paid employment.	1,453,112.43	429,831.02	29.58%	1,023,281.41
Working age other are claimants who are either single people or couples not in paid employment, and in receipt of DWP benefits.	2,307,192.32	701,301.39	30.40%	1,605,890.93
TOTALS	5,206,336.57	1,702,299.33	32.70%	
July	2016/17			
CTRS SCHEME	LIABILITY	RECEIPTS	COLLECTION RATE	UNCOLLECTED
	£	£		£
Vulnerable households	472,662.15	118,150.30	25.00%	354,511.85
Vulnerable	317.31	300.11	94.58%	17.20
Pensionable	900,698.93	434,513.19	48.24%	466,185.74
Working age employed	1,194,816.72	341,516.02	28.58%	853,300.70
Working age others	1,898,694.18	577,710.60	30.43%	1,320,983.58
TOTALS	4,467,189.29	1,472,190.22	32.96%	

3.1.34 The overall collection for CTRS cases is 32.7% for 2017/18, This is a slight reduction in collection rate, as compared to the increase reported in 3.1.26 above, and suggests that not only is this customer group finding it more difficult to pay, but disproportionately also.

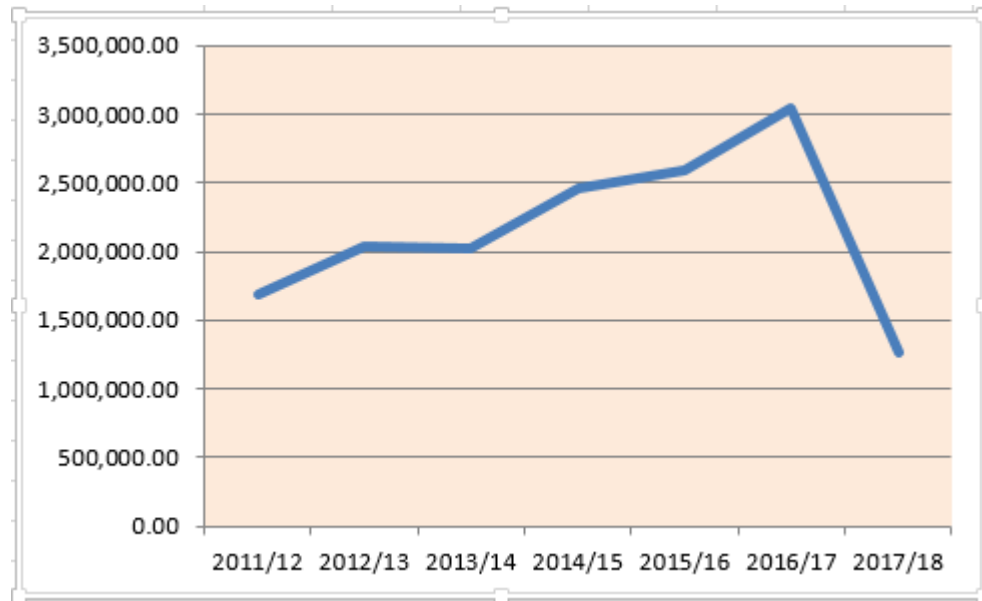
3.1.35 For those customers that cannot, or won't, make an arrangement, they will be issued with a summons. Although there is not much attendance at court, the Council will still make an arrangement at this stage.

- 3.1.36 There has been an increase in the number of summons issued in the first three months of the financial year.
- 3.1.37 Where a Liability Order is obtained, the Council's preferred option is to serve an attachment of benefit, and the use of this method of repayment is on the increase compared to previous years. The Council currently collects £26k per month through AOB, slightly down on last year.
- 3.1.38 It should be noted that the maximum amount of money that can be deducted is £3.70 per week, regardless of how much a customer owes, and the recovery of council tax is not a priority debt for deduction by the DWP. The maximum a customer in these circumstances can repay is £192.40 per year. In 2017/18, an unparished band A property with two adults would be liable for £1,060.25, reducing by maximum CTR would leave the customer liable to pay £371.10. The issue of a summons would add a further £82.40, leaving a customer with an annual charge of nearly £261 more than the Council is able to recover.
- 3.1.39 There is also a process to support customers whose debt is passed to Enforcement Agents, similar to that provided by the Council.
- 3.1.40 Where customers are making realistic arrangements to pay these are often small amounts, over a long period of time, regardless of what point of the recovery cycle a customer has reached. Customers have struggled to maintain even these small value arrangements and this increases the cost to the Council to administer.

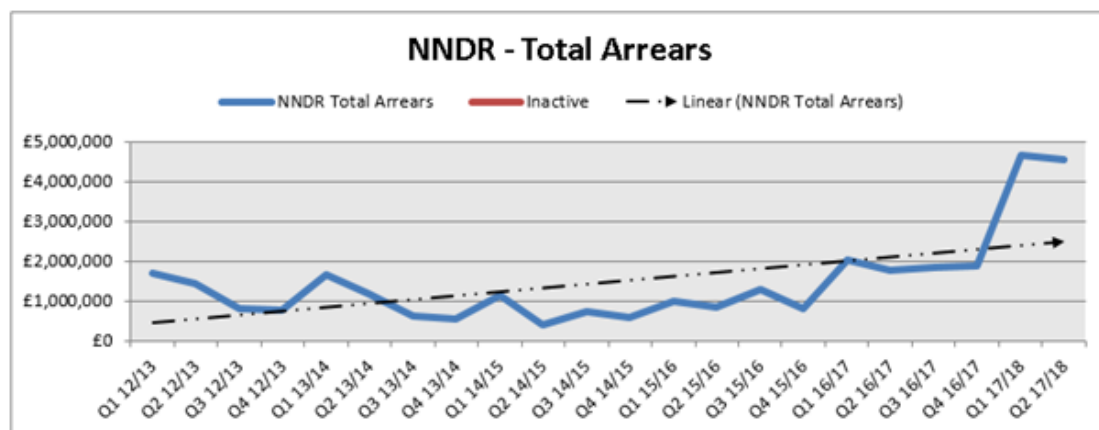
3.1.41 Historic council tax arrears collection

The table below demonstrates the increase in arrears collected in each of the last 6 financial years. As mentioned above the amount of arrears collected so far this year is higher than at the same point last year. Please note that the 17/18 figure is to the end of July, not a full financial year.

It shows that strong collection in the first quarter compared against full previous year amounts.



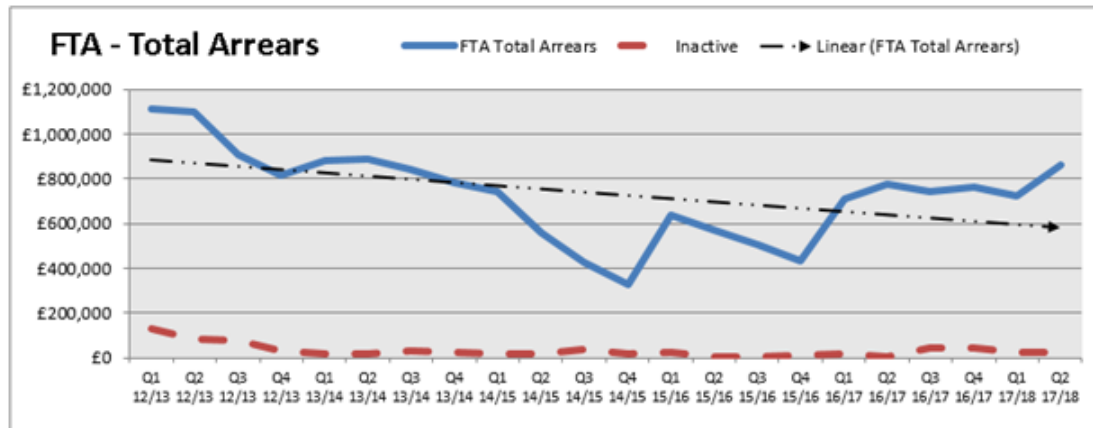
3.1.42 Business Rates (NNDR) as at 31st July 2017



3.1.43 The overall outstanding arrears are £2,605k more than at the same point last year. This is primarily due to an increase in the 2016/17 business rates multiplier, one specific business with a backdated account and “stubborn” arrears levels. This is a potential result of the anti-avoidance and evasion work the team have undertaken last financial year, which has resulted in the sizeable increase in collectable debit. The team are currently analyzing the cases to understand why this has occurred and to take remedial action.

3.1.44 Unmanaged debt remains unchanged in NNDR as all accounts continue to be monitored on a monthly basis, due to the low number and high value of cases.

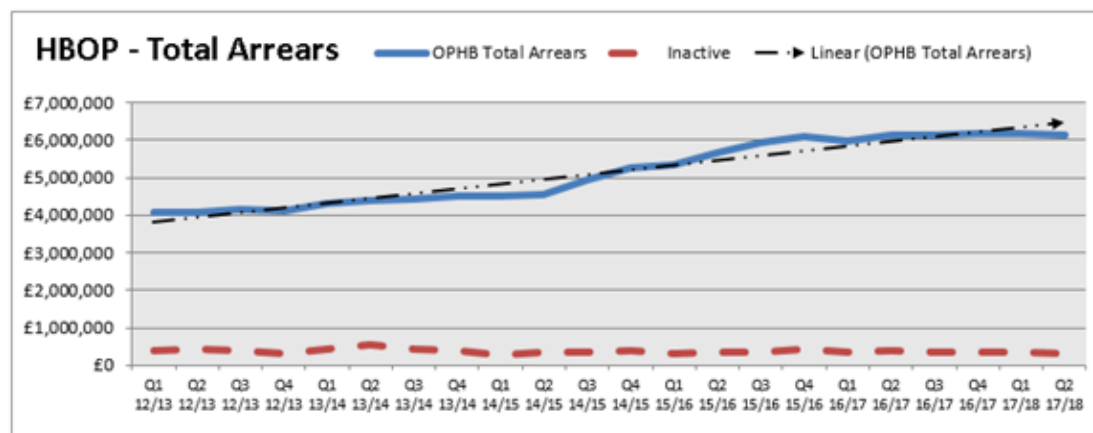
3.1.45 Former Tenant Arrears as at 31st July 2017



3.1.46 The overall outstanding arrears are £208k more than at the same point last year.

3.1.47 Unmanaged debt is £12k more than the same time last year and the amount of unmanaged debt continues to remain consistently low.

3.1.48 Housing Benefit Overpayments Payments as at 31st July 2017



3.1.49 The overall outstanding arrears are £102k more than at the same point last year. This increase is in line with the national trend for overpayments and relates to the Department for Work and Pensions ongoing initiatives to identify overpayments. These two schemes, “Real Time Information” and “Right Benefit Indicator” (the replacement scheme for the “Fraud and Error Reduction Incentive Scheme”), are being fully supported in Northampton and the Council receives an incentive payment for the successful identification and reduction of error.

3.1.50 The current performance by our teams has reduced the impact on the Council of these new overpayments. By focusing resource on this debt

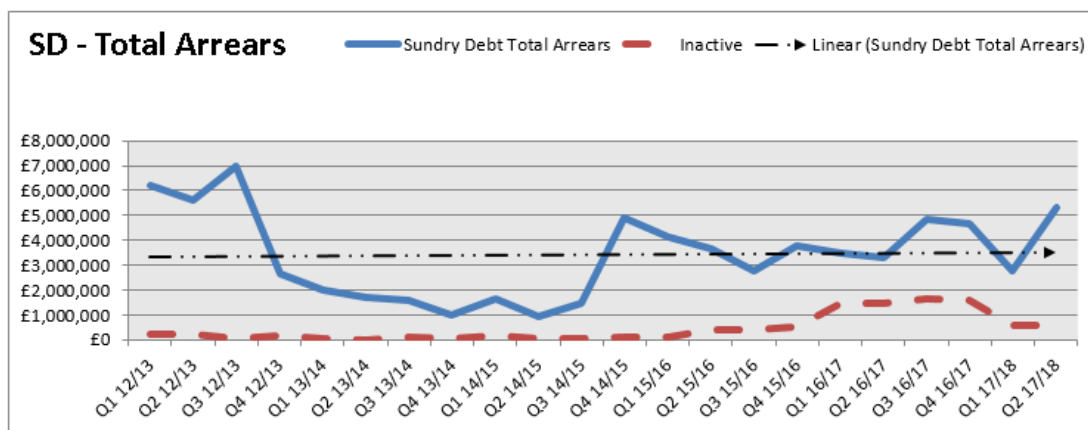
has the team have supported better outcomes, which can be demonstrated by the reduction in the percentage of unmanaged debt. These debts remain very difficult to collect due to the limited recovery methods available to us, and the economic climate.

3.1.51 Unmanaged debt is £2.5k more than the same time last year.

3.1.52 The national Welfare Reform measures underway are increasing the pressure on individual debtors and their ability to pay debts. Housing benefit overpayments are deemed as a lower priority, as per the Corporate Debt policy, when compared to other debt types, and arrangements tend to be small amounts over a long period of time.

3.1.53 There has also been an increase in direct debit payers for this type of debt, but once again small amounts over a longer period of time.

3.1.54 Sundry Debts (SD) as at 31st July 2017



3.1.55 The overall outstanding arrears are £1m more than at the same point last year.

3.1.56 The unmanaged debt is £880k less than the same time last year. The majority of this is controlled within individual service areas in the Council. The unmanaged debt controlled by the Revenues and Benefits Service is £7k.

3.1.57 To allow some context around where the unmanaged debt is sitting within the council is detailed below.

	Level 4 Analysis (Number)			Level 4 Analysis (£)			Level 4 Analysis (%)		
	Managed	Unmanaged	Total	Managed	Unmanaged	Total	Managed	Unmanaged	Total
Abington Museum	0	0	0	0	0	0	0.00%	0.00%	0.00%
Asset Management	2	269	271	616	483,715	484,331	0.13%	99.87%	83.64%
Building Control	0	0	0	0	0	0	0.00%	0.00%	0.00%
Call Care	6	22	28	816	7,017	7,833	10.42%	89.58%	1.35%
Car Parks	0	17	17	0	7,788	7,788	0.00%	100.00%	1.34%
Community Centres	0	0	0	0	0	0	0.00%	0.00%	0.00%
Community Safety	0	0	0	0	0	0	0.00%	0.00%	0.00%
Environmental Health	0	21	21	0	3,755	3,755	0.00%	100.00%	0.65%
Events	0	0	0	0	0	0	0.00%	0.00%	0.00%
Exchequer Section	0	9	9	0	49,024	49,024	0.00%	100.00%	8.47%
Guildhall Office	0	0	0	0	0	0	0.00%	0.00%	0.00%
Strategic Housing	0	0	0	0	0	0	0.00%	0.00%	0.00%
Housing Repairs	0	0	0	0	0	0	0.00%	0.00%	0.00%
Human Resources	0	0	0	0	0	0	0.00%	0.00%	0.00%
Insurance	0	6	6	0	1,841	1,841	0.00%	100.00%	0.32%
Legal	0	0	0	0	0	0	0.00%	0.00%	0.00%
Licensing	3	115	118	574	22,985	23,558	2.44%	97.56%	4.07%
Market Office	0	3	3	0	161	161	0.00%	100.00%	0.03%
Museums	0	0	0	0	0	0	0.00%	0.00%	0.00%
One Stop Shop	0	0	0	0	0	0	0.00%	0.00%	0.00%
Payroll	0	0	0	0	0	0	0.00%	0.00%	0.00%
Planning	0	0	0	0	0	0	0.00%	0.00%	0.00%
Private Sector Housing	0	2	2	0	800	800	0.00%	100.00%	0.14%
Print Services	0	0	0	0	0	0	0.00%	0.00%	0.00%
Rent Assistance	0	0	0	0	0	0	0.00%	0.00%	0.00%
Revenues and Benefits	0	0	0	0	0	0	0.00%	0.00%	0.00%
Westbridge Admin Team	0	0	0	0	0	0	0.00%	0.00%	0.00%
	11	464	475	2,005	577,085	579,090	0.35%	99.65%	100.00%

3.1.58 Level 4 debt is debt that has received an invoice, reminder and a second reminder/final notice and the later stages of the recovery process is managed within the individual service areas.

3.2 Issues

3.2.5 The managed debt analysis and commentary to 31st July 2017 contained within this report.

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 Ongoing monitoring of the Council's debt position enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial position and to its reputation.

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 Other Implications

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

5. Background Papers

5.1.1 Not applicable

Ian Tyrer, Revenues Manager, Extension 7451

Appendix A		Half-yearly performance from 2012/13 to present by value of managed, unmanaged and total arrears									
YEAR on YEAR PERFORMANCE	2012/13		2013/14		2014/15		2015/16		2016/17		
	SEP	MAR	SEP	MAR	SEP	MAR	SEP	MAR	SEP	MAR	
TOTAL ARREARS	18,990,764	14,448,119	15,552,879	13,133,970	14,124,390	17,079,190	22,074,394	17,405,921	20,164,989	19,927,887	
Total Awaiting Action	889,537	635,627	686,348	578,997	499,008	580,064	552,182	1,084,977	1,924,839	2,041,016	
Managed Debt	18,101,227	13,812,492	14,866,531	14,052,291	13,625,382	16,499,126	21,522,212	16,320,944	18,240,150	17,886,871	
% unmanaged debt [PI]	4.68%	4.40%	4.41%	4.41%	3.53%	3.40%	2.50%	6.23%	9.55%	10.24%	
CTAX	6,748,461	6,090,189	7,430,390	6,281,511	7,664,327	6,053,552	7,857,713	6,280,780	8,167,738	6,436,472	
unmanaged debt	190,988	111,528	123,521	103,752	81,410	63,263	43,391	96,208	49,717	46,552	
managed debt	6,557,474	5,978,660	7,306,869	6,177,759	7,582,917	5,990,289	7,814,322	6,184,572	8,118,021	6,389,920	
unmanaged debt	2.83%	1.83%	1.66%	1.65%	1.06%	1.05%	0.55%	1.53%	0.61%	0.72%	
NNDR	1,454,169	776,782	1,162,504	543,491	407,858	568,644	830,958	807,217	1,777,515	1,896,148	
unmanaged debt	0	0	0	0	0	0	0	0	0	0	
managed debt	1,454,169	776,782	1,162,504	543,491	407,858	568,644	830,958	807,217	1,777,515	1,896,148	
unmanaged debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
FTA	1,101,424	814,503	886,670	784,750	557,708	328,049	573,762	435,545	773,435	763,559	
unmanaged debt	87,568	30,016	17,649	28,324	16,431	17,761	4,015	11,925	7,560	43,324	
managed debt	1,013,856	784,487	869,021	756,426	541,277	310,288	569,747	423,620	765,875	720,235	
unmanaged debt	7.95%	3.69%	1.99%	3.61%	2.95%	5.41%	0.70%	2.74%	0.98%	5.67%	
HBOP	4,090,115	4,122,698	4,381,953	4,515,411	4,555,039	5,243,926	5,645,801	6,094,450	6,127,991	6,185,830	
unmanaged debt	409,456	328,701	528,023	399,861	355,323.49	386,239	340,936	439,155	377,010	339,374	
managed debt	3,680,659	3,793,997	3,853,930	4,115,550	4,199,716	4,857,687	5,304,865	5,655,295	5,750,982	5,846,456	
unmanaged debt	10.01%	7.97%	12.05%	8.86%	7.80%	7.37%	6.04%	7.21%	6.15%	5.49%	
Sundry Debt	5,596,594	2,643,948	1,691,362	1,008,807	939,457.37	4,885,020	7,166,160	3,787,929	3,318,311	4,645,878	
unmanaged debt	201,526	165,382	17,155	47,060	45,844.00	112,802	163,839	537,689	1,490,553	1,611,766	
managed debt	5,395,068	2,478,566	1,674,207	961,747	893,613	4,772,218	7,002,321	3,250,240	1,827,758	3,034,112	
unmanaged debt	3.60%	6.26%	1.01%	4.66%	4.88%	2.31%	2.29%	14.19%	44.92%	34.69%	

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Appendices: Nil



AUDIT COMMITTEE REPORT

Report Title	Position Statement on Vacant Posts and Interim/Agency Staff
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	11th September 2017
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To present Committee with a position statement regarding the numbers of staff vacancies and interim/agency staff engaged that are covering vacant posts.

2. Recommendations

- 2.1 To consider the contents of this finance report.
- 2.2 To consider whether Audit Committee requires any additional information in order to fulfil its governance role.
- 2.3 To agree that future reports are widened to include details of all interim/agency staff including those not covering vacant posts.

3. Issues and Choices

3.1 Report Background

- 3.1.1 Audit Committee have been receiving regular reports on the number of interim/agency staff covering vacant posts, and the number of vacant posts within the Council.
- 3.1.2 At the meeting on the 27 June 2017 Audit Committee raised some queries requesting further information on:

- The reductions in agency/interim staff reported, and what had happened to the posts?
- How has productivity been affected?
- How much money was being spent on interim and agency staff?

3.2 Interim/Agency Staff and Vacant Positions

3.2.1 The number of interim and agency staff engaged to provide cover for vacant posts in the establishment is shown below.

Directorate	February 2016	June 2017	July 2017
Borough Secretary	9	6	3
Director of Customers & Communities	*13	3	2
Director of Regeneration, Enterprise & Planning	**11	1	1
Housing and Well Being	4	4	5
Total	37	14	11

Note:

* 6 posts removed from total relating to Enterprise Contract as costs are being recovered through the contract.

** 2 posts removed from Director of Regeneration, Enterprise and Planning as have been recharged to projects and not held against vacant posts.

3.2.2 The reduction of 23 interim/agency staff held against vacant posts between February 2016 and June 2017 is across three Directorates. The current status of those original vacant posts covered by interim/agency staff for each area and how productivity has been affected is detailed below.

3.2.3 The reduction in 3 agency/interim staff held against vacant posts in Borough Secretary has been as a result of filling a number of posts permanently. However, the transfer of legal and HR services back from LGSS in January 2017 has resulted in these reductions being partially offset by additional temporary agency/interim staff being used in these areas. Since June 2017 there has been a further reduction of 3 following the recruitment of 3 electoral services officers. Productivity has not been affected prior to January 2017, however since the return of services from LGSS some legal work has been outsourced to external providers as the authority did not have capacity or experience in house either using permanent or agency staff. The legal section

is currently experiencing difficulties in recruiting permanent legal staff, and management are working with HR to resolve this going forward.

- 3.2.4 The reduction in 10 agency/interim staff held against vacant posts in Customers and Communities is as a result of these post being permanently recruited. Some of the posts filled were a post room assistant, head porter and facilities apprentice and in addition one of the vacancies in the environmental protection team was also recruited to. The nature of the remaining vacant roles are customer facing and therefore whilst recruitment is under way it is essential to fill the roles on a temporary basis with agency staff until the recruitment process has been completed. The use of agency staff avoids a dip in productivity and in particular ensures customer satisfaction remains high. Since June 2017 there has been one further reduction, due to the permanent recruitment of a call care operative.
- 3.2.5 The Regeneration, Enterprise and Planning Directorate has seen a reduction in 10 agency/interim staff held against vacant posts due to several factors. The Planning Service has had several posts covered by interim/agency staff, including the Planning Policy Manager role which was recruited to in March 2017, and various planning support officer posts which have been vacant during the period and covered by agency staff. The Head of Planning has indicated that there has been no impact in productivity over the period. Previously the Directorate reported all interims/consultants that were not directly employed by the Council on fixed or permanent contracts. The Directorate now only reports on interim staff: those staff covering vacant establishment positions. There remain consultants delivering specific project/pieces of work. There has, however, been an overall reduction in interim/consultancy staff in the Directorate.
- 3.2.6 The Economic Development and Regeneration Service has seen a combination of a period of high staff turnover and a reduction in capacity that has resulted in a drop in output, in particularly within the Asset Management Team; an issue that has been commented on within the recent auditors report. The section has experienced difficulty in recruiting permanent staff over the last two years. Management are working jointly with HR to resolve these issue and incorporate the solution in a future restructure. As a result management have had to outsource some work, most notably the annual asset valuations for the statement of accounts. The focus in the short term is that the service is planning for the asset valuation work during 2017/18 to ensure that it can be delivered on time and to the required standard.

3.2.7 The number of interim and agency staff engaged and the length of engagement is summarised in the table below.

Directorate	July 2017	Length of time engaged				
		<1 month	1-3 months	3-6 months	6-12 months	12+ months
Borough Secretary	3		1			2
Director of Customers & Communities	2			1	1	
Director of Regeneration, Enterprise & Planning	1		1			
Housing and Wellbeing	5	1			1	3
Total	11	1	2	1	2	5

3.2.8 The number of staff vacancies is summarised in the table below.

Directorate	Total Posts	Vacancies (March 2016)	Vacancies (June 2017)	Vacancies (July 2017)	Recruiting to	Covered by Interims/ Agency
Borough Secretary	28	11	13	10	5	3
Director of Customers & Communities	165	23	13.5	11	8	2
Director of Regeneration, Enterprise & Planning	61	13	9	9	0	1
Housing and Well Being	37	5	7	8	7	5
Total	291	52	42.5	38	20	11

3.2.9 Of the 10 vacancies in Borough Secretary, 4 legal posts are currently out to advert, 1 election post is being advertised and the rest are currently being looked at.

3.2.10 Of the 11 vacancies in the Directorate of Customers & Communities, 8 are in the process of being recruited to and the remainder are being held pending restructures to find further savings.

3.2.11 Of the 9 vacancies within the Directorate of Regeneration, Enterprise and Planning, all vacancies are under review pending the medium term resourcing strategy.

3.2.12 Of the 8 vacant positions in the Housing and Wellbeing Service, 6 are in the process of being recruited and 1 has successfully been recruited to.

3.3 Costs of agency/interim staff

- 3.3.1 The total costs incurred to date this financial year of interim/agency staff is £476k, this includes all staff whether held against a vacant post or not. Management will be working on refining this information in future to show both costs of interim staff covering vacant posts and also those providing other services/capacity for projects etc.
- 3.3.2 There will also be savings against permanent staff salary budgets which will partially offset these costs, and in some instances the costs of agency staff are actually lower than those of permanent staff.

Directorate	Total 2017/18 Cost to end of July (Gross Total of Agency/Interim staff) £000
Borough Secretary	153
Director of Customers & Communities	39
Director of Regeneration, Enterprise & Planning	150
Housing and Wellbeing	134
Total	*476

*Note this represents the gross costs which will be offset by savings in permanent staff budgets

3.4 Choices (Options)

- 3.4.1 Option 1 – the Committee could agree that the proposed additional information on all interim/agency staff is included in future reports. This is the recommended option.
- 3.4.2 Option 2 – the Committee could request that future reports continue to only have information on the interim/agency staff covering vacant posts.
- 3.4.3 Option 3 – the Committee could request that reports on interim/agency staff are no longer presented to future meetings.

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 use of interim/agency staff to cover vacant posts is one of the strategies used by management to deal with capacity issues arising when employees leave the authority. In most cases the direct cost will be higher than employing permanent staff which may have an adverse budget impact, however the authority does have more flexibility to decide when to use them than having permanent staff who have employment rights concerning notice periods etc.

4.2.2 The wider use by the Council of agency/interim staff, not just those covering vacant posts, is reviewed and managed on a monthly basis by Management Board. It is proposed that this information should also be reported to Audit Committee in the future.

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 Management Board

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 The responsibility for determining whether agency/interim workers are deemed employees for tax purposes has been that of public sector bodies from April 2017. This means that the Council has to assess all individuals who are doing work for the authority against a number of criteria as indicated by HMRC. This is a change from the previous position where the individual had to make the assessment as to whether they are what is known as 'IR35' compliant.

4.7.2 Where the Council determines that individuals are inside IR35 then they will have to notify those individuals and the agency that represents them (in the case of NBC this is mostly Guidant) so that personal tax can be deducted at source through a PAYE system rather than leaving it to the individual as either

an employee of their own limited company or as a self-employed person to calculate and pay the relevant tax.

- 4.7.3 Management have been working with the Council's preferred supplier Guidant and all other agencies to ensure that the new responsibilities are met. All agency and temporary contracts as at April 2017 were reviewed against the criteria to ensure the authority was complying with the change in responsibility.

5. Background Papers

- 5.1 Previous Audit Committee Reports on Interim/Agency staff since September 2016

Chris Randall
Interim Strategic Finance Manager (LGSS), Telephone 0776 936 5372

Appendices

1 : LGSS Draft Internal Audit Plan 2017/18 – 2019/20



AUDIT COMMITTEE REPORT

Report Title	LGSS Draft Internal Audit Plan 2017/18 – 2019/20
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	11 th September 2017
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the LGSS draft internal audit plan 2017/18 – 2019/20 for services provided to Northampton Borough Council. This is to provide third party assurance on the control and compliance of the systems used in providing services to the Council

2. Recommendations

2.1 It is recommended that the Audit Committee note the LGSS draft internal audit plan (contained at appendix 1) for services provided by LGSS to Northampton Borough Council.

3. Issues and Choices

3.1 Summary Issues

3.1.1 The audit planning process has considered the following - (a) the scope of auditable activity, (b) previous audit coverage (over the previous four years) including audit opinions and (c) emerging risks and developments.

3.1.2 Whilst all financial activities / functions have been audited over the period, the regularity of coverage has varied with some areas being audited on an annual basis and others only being audited once in the last four years. It is also worth noting that the scope of the Council Tax, Business Rates and Housing Benefits review in 2016-17 was limited to reconciliations and management reporting / oversight.

3.1.3 The focus in 2017-18 will be financial activities / functions where limited audit work has taken place in previous years. The only exception to this is in respect of Housing Benefits as this has recently been the subject of a health check review by the Department of Work and Pensions (DWP) which has identified a number of opportunities for improvement. As a consequence, a review will be undertaken of Housing Benefits in 2018-19 and within the scope consider how LGSS has responded to the DWP findings. Additionally, an IT audit review will take place in each of the next three years in respect of the three key financial systems in operation will be subject to an IT audit review.

3.2 Choices (Options)

3.2.1 The report is just for noting, however Audit Committee have the opportunity to ask questions directly to the internal auditors on anything contained in their report, and issues around the audit process. They also have the opportunity to question management on any of the issues raised.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 None.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

Draft Internal Audit Plan 2017-18 to 2019-20

1. Purpose

To set out the 2017-18 Internal Audit Plan for Northampton Borough Council as well as planned coverage for 2018-19 to 2019-20.

2. Background

Many financial activities transferred from Northampton Borough Council to LGSS during 2013-14 financial year. It was agreed with the S151 Officer and the council's internal auditors (PwC) that where LGSS have the responsibility to undertake the functions, LGSS Internal Audit would complete the assurance work, whilst PwC would continue to audit those aspects which remain in the direct control of the council.

3. Internal Audit Planning Process

The audit planning process has considered the following - (a) the scope of auditable activity, (b) previous audit coverage including audit opinions and (c) emerging risks and developments. These are expanded upon below.

Scope of Auditable Activity – The scope of auditable activity is limited to the financial activities / functions that LGSS undertake on behalf of Northampton Borough Council. The only recent change that has occurred relates to responsibility for payroll transferring back to the Northampton Borough Council during 2016-17.

Previous Internal Audit Coverage Including Audit Opinions – Detailed below is a list of audits completed over the last four years for financial activities / functions that LGSS currently undertake on behalf of Northampton Borough Council.

Audit	2016-17	2015-16	2014-15	2013-14
Accounts Payable	x	x	x	x
Accounts Receivable	x	x	x	x
General Ledger	x		x	x
Bank Reconciliations	x	x	x	x
Treasury Management	x		x	
Council Tax	x			
Business Rates	x			
Housing Benefits	x			
Fixed Assets			x	x
ICON System Access	x			
IBN System Access	x			

Whilst all financial activities / functions has been audited over the period, the regularity of coverage has varied with some areas being audited on an annual basis and others only being audited once in the last four years. It is also worth noting that the scope of the Council Tax, Business Rates and Housing Benefits review in 2016-17 was limited to reconciliations and management reporting / oversight.

Additionally, whilst ad-hoc IT audit reviews have taken place, these have not included any specific reviews of key financial systems.

Across all the areas audited, the latest reviews concluded that substantial assurance could be provided that the control environment have been appropriately defined and was operating as intended.

Emerging Risks and Issues – We are not aware of any emerging risks and developments that impact on the auditable activity highlighted.

4. Draft Internal Audit Plan

In light of the planning process undertaken, we are proposing that the draft Internal Audit Plan covers a three year period 2017-18 to 2019-20. The movement from a one year plan reflect our assessment that:

- The scope of auditable activity is stable.
- Audit opinions indicate that the control environment covering these financial activities / functions are working effectively and as a result, we have determined that all activity should be audited on a cyclical rather than annual basis.

The three year plan is detailed below.

Audit	2017-18	2018-19	2019-20
Accounts Payable		x	
Accounts Receivable			x
General Ledger			x
Bank Reconciliations		x	
Treasury Management			x
Council Tax	x		
Business Rates	x		
Housing Benefits		x	
Fixed Assets	x		
IT Audit System Review			
- Agresso	x		
- Northgate		x	
- Academy			x

The focus in 2017-18 will be financial activities / functions where limited audit work has taken place in previous years. The only exception to this is in respect of Housing Benefits as this has recently been the subject of a health check review by the Department of Work and Pensions (DWP) which has identified a number of opportunities for improvement. As a consequence, we will undertake a review of Housing

Benefits in 2018-19 and within the scope consider how LGSS has responded to the DWP findings. Additionally, an IT audit review will take place in each of the next three years in respect of the three key financial systems in operation will be subject to an IT audit review.

The plan will be kept under constant review to ensure it adapts to emerging risks and development as and when they are identified.

5. Communication

The following communications will take place with senior officers (Chief Finance / S151 Officer, Interim Strategic Finance Manager and Governance and Risk Manager) and the Audit Committee in respect of the Internal Audit work in 2017-18:

- Audit Plan – The plan will be issued to senior officers for consultation and comment before being presented to the Audit Committee in September 2017.
- Terms of Reference – Senior officers will be consulted on the draft terms of reference for all reviews to provide the opportunity to highlight issues or concerns that they want to be considered within the review.
- Audit Reports – Senior officers will receive a copy of the draft report to allow them the opportunity to comment on the findings and planned management action before the report is finalised.
- Report to the Audit Committee – It is anticipated that the audit work for 2017-18 will be undertaken between October and December 2017 and that a summary of the key findings from this work will be presented to the Audit Committee at its meeting in January 2018.

Where appropriate such communications will also include Northampton Borough Council's Internal Auditors (PwC) and External Auditors (KPMG) as well as key personnel from LGSS.

Duncan Wilkinson
Chief Internal Auditor, LGSS

Appendices

1 : PwC Progress Report 2017/18



AUDIT COMMITTEE REPORT

Report Title	PwC Internal Audit Progress Report 2017/18
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	11 th September 2017
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the PwC internal audit work for 2017/18, and any refinements to previous plans that have been presented to this Committee. The work that is proposed to be done by PwC is designed to provide assurance around financial and governance controls and compliance, and highlight any areas of risk.

2. Recommendations

2.1 It is recommended that the Audit Committee note the PwC internal audit progress report for 2017/18 and in particular the significant reduction in outstanding actions from previous years' internal audit reports.

3. Issues and Choices

3.1 Report Background

3.1.1 The PwC internal audit progress report for 2017/18 is included as an appendix to this report. It shows the areas that are proposed to be reviewed during 2017/18 and the estimated resource days allocated. There have been a number of revisions to the workplan shared with the June 2017 Audit Committee following joint discussions with PwC and both the newly appointed Risk and Governance Manager and the Interim Strategic Finance Manager.

3.1.2 Several areas have been changed or refined following discussions with officers, the key changes are as follows:

- Work on reviewing the vision and strategy around organisational change have been put on hold until the revised senior management arrangements of the organisation are in place. Anticipated this will take place later in the year.
- The work around financial governance has been refined to be more specific to cover financial delegations, contract management and fraud awareness.
- The tracking and follow-up of internal audit recommendations in detail will now be undertaken by the NBC performance and governance team with liaison with PwC. This will enable some of the PwC audit days planned for this work to be reallocated to areas of higher priority.

3.2 Choices (Options)

3.2.1 Audit Committee have the opportunity request changes to the audit plan and to ask questions directly to the internal auditors on anything contained in their proposed plan, and issues around the internal audit process. They also have the opportunity to question management on any of the issues raised.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 None.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

Chris Randall
Interim Strategic Finance Manager, Telephone 0776 936 5372

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Internal Audit Progress Report 2017/18

**Northampton
Borough Council**

September 2017

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- B. Internal audit - Key performance indicators
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- D. Thought leadership

Distribution list

For information: Audit Committee



Summary



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Purpose of this report

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 any other matters that are relevant to your responsibilities.

Progress against the 2017/18 internal audit plan

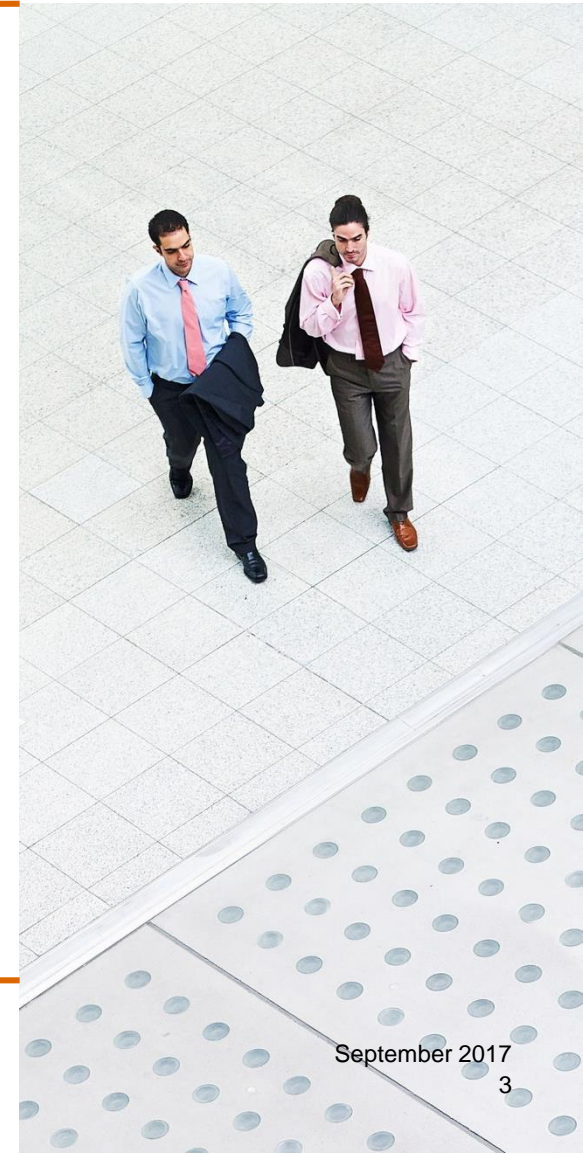
The draft 2017/18 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 3 July 2017. Since that date we have met with the Governance and Risk Manager to ensure the plan remains appropriate in the context of additional Council resource. Some changes are proposed to the plan and these are detailed later in this report.

Following our meeting with the Governance and Risk Manager, we have scoped reviews, agreed terms of reference, planned and commenced work in relation to:

- Governance and risk management;
- Contract management;
- Payroll;
- Whistleblowing; and
- Financial delegations.

We are in the process of agreeing a terms of reference following scoping meetings with relevant officers in relation to:

- Legal;
- HR - recruitment;
- Fraud awareness; and
- Culture.



Activity in the period



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Activities in the period

We have held a number of meetings since the Audit Committee approved the Internal Audit Plan in July 2017 to progress the plan. These include:

- Governance & Risk Manager interim support, 3/7/17 and 15/7/17
- Governance & Risk Manager and LGSS Strategic Finance Manager, 18/7/17 and 15/7/17
- HR Strategic Partner, 18/7/17
- Acting Legal Practice Manager, 26/7/17
- Leader of the Council, 21/7/17 and 2/8/17
- LGSS Internal Audit, 15/7/17

These have supported our development of terms of reference for a number of reviews on the Internal Audit Plan.

Other activities in the period

The following activities are being undertaken in addition to the core internal audit plan:

Environmental services contract re-provision – we have agreed a scope of work to review the ongoing project governance processes through monthly catch ups with the Project Manager and review of relevant documentation, attendance at project team meetings which are key to the governance process and meetings with those stakeholders who are involved in mitigating key risks. We will continue to work alongside our waste Subject Matter Expert who has supported us in earlier work.

Leadership structure workshop – we have agreed to deliver a workshop on leadership structures where we will help you to:

- Understand and set out the overall vision for the senior leadership team in the council
- Consider your current organisation design and compare it to examples elsewhere
- Define the preferred option for the top tier leadership structure
- Set out a roadmap for future activities required to achieve the structure



Progress against plan (1 of 3)



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Progress against 2017/18 internal audit plan

Ref	Auditable Unit	Total audit days*	Q	Audit days per Q	Review details	Comments
A						
A.1	Governance and risk management	50	Q1-2	20	Risk Management Strategy	Terms of reference developed and agreed. Review of draft risk management strategy currently underway
			Q3-4	15	Assurance Mapping	
			Q3-4	5	Risk Benchmarking	
A.2	Organisational change	40	Q2	10	Vision and strategy	Review currently on hold whilst the Council reviews its plans
			Q3-4	30	HR, legal, payroll	Terms of reference developed and currently with the Council to approve (HR and legal) or awaiting confirmation of onsite fieldwork dates (payroll)
A.3	Financial governance	50	Q2	5	Workshop	Agreed with the Governance & risk manager that these reviews will be replaced with alternative reviews, see additional reviews on the next slide.
			Q2-4	30	Continuous auditing	
			Q2-4	15	Deep dives	
A.4	Tracking recommendations and follow up	20	Q2	8	Closed recommendations	Agreed with the Governance & risk manager that this work will be undertaken by her team and audit days used to support the Council in other ways
			Q2	2	Recommendation reporting	
			Q2-4	10	Review of completed recommendations	

Progress against plan (2 of 3)

Progress against 2017/18 internal audit plan

Ref	Auditable Unit	Total audit days*	Q	Audit days per Q	Review details	Comments
B						
B.1	Culture	30	Q2-4	23	Staff survey	Draft terms of reference shared with the Council for approval.
			Q3	7	Whistleblowing	Terms of reference developed and agreed. Fieldwork to commence.
C						
C.1	IA management time	20	Q1-Q4	10		
D						
D.2	Additional reviews requested		Q2-3	10	Financial delegations	Terms of reference developed and agreed, currently agreeing on site fieldwork dates
D.3			Q2-3	15	Contract management	Terms of reference developed and agreed. Fieldwork to commence when relevant information is provided.
D.4			Q3	15	Fraud awareness	Terms of reference in development

** 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.*



Progress against plan (3 of 3)



Changes to the Internal Audit Plan

We have continued to review our Internal Audit plan on an ongoing basis to ensure that it considers your risks and, where appropriate, we have proposed changes to that plan to reflect your circumstances. We have set out below the changes proposed and the rationale for each change for the Audit Committee to note.

Proposed change / additional review	Impact on planned days	Rationale for change
Tracking recommendations and follow up	-35	Now there is a governance and risk team in place at the Council it is deemed more efficient for them to follow up on outstanding recommendations and follow up.
Continuous auditing approach	-20	Following a discussion with the Governance and Risk Manager it is deemed more appropriate to undertake some detailed reviews on specific areas of risk she has identified rather than applying a light touch approach across the Council as a whole.
Financial delegations	+10	
Contract management	+15	
Fraud awareness	+15	
Overall	-15	We will continue to evaluate areas which may require additional internal audit support and use the available days to support in additional areas.



**Appendix A: Outstanding
audit actions**

**Appendix B: Internal audit -
Key performance indicators**

**Appendix C: Analysis of
days included in plan**

**Appendix D: Thought
leadership**

Appendices

Appendix A: Outstanding audit actions

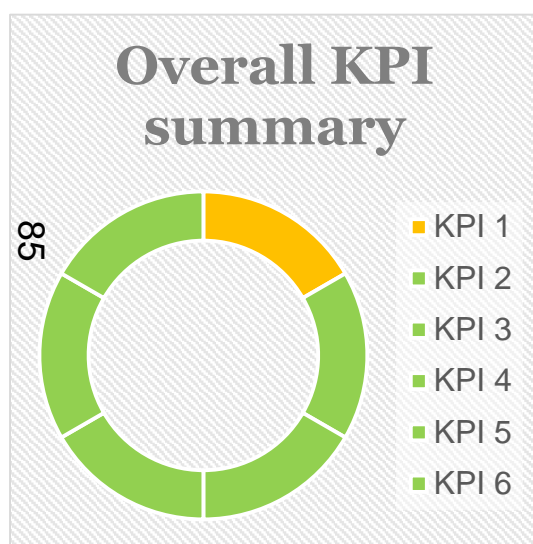
There has been a significant focus on updating the traction site to update the status of outstanding audit recommendations. The table below shows the current status of active audit reports.

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Audit Year	Audit Title	Recommendation Status	Total
2012/13	Housing Rents	Closed	2
		Open	2
2013/14	Asset Management	Open	3
2014/15	Data Protection	Closed subject to verification	1
		Open	2
		Directorate Review: Regeneration, Enterprise and Planning	Closed subject to verification
		Open	3
2015/16	Scope and Effectiveness of the Section 151 Officer arrangement	Open	1
2016/17	Building Control - Planning	Closed subject to verification	3
		Economic development and regeneration	Open
Grand Total			20

When updating the traction site the Council have determined that a number of audit findings are no longer relevant owing to a change in circumstances and duration of time which has passed since the audit date. A number of audits between 2012 and 2017 have been archived. We will be reviewing the suitability of the archived status with the Governance and Risk Manager over the coming weeks.

Appendix B: Internal audit - Key performance indicators



Target fully achieved

Target achieved with minor exceptions

Target not achieved



KPI	Target	Actual results for year to date	Comments
1) Audits budgeted v actual	+/- 10 plan days	-15 days	Changes to the internal audit plan mean that there are now 15 days which are not allocated to a review; however, we intend to identify additional areas which would benefit from internal audit work and utilise these days before the year end.
2) % of audits with Terms of Reference	100%	100%	Terms of reference have been agreed for the following reviews:
3) % of audits with an exit meeting	100%	NA	No reviews are yet at a stage of being concluded.
4) Draft reports issued promptly	100%	NA	No reviews are yet at a stage of having draft reports issued.
5) Attendance at Audit Committee	100%	100%	All Audit Committees have been attended by the Head of Internal Audit and Audit Manager.
6) Overall client satisfaction score	9/10	NA	Feedback will be requested at the end of the year

Appendix C: Analysis of days included in plan

Ref	Auditable Unit	Total audit days*	Q	Audit days per Q	Audit days used to date
A					
A.1	Governance and risk management	50	Q1-2	20	5
			Q3-4	15	1
			Q3-4	5	0
A.2	Organisational change	40	Q2	10	0
			Q3-4	30	5
A.3	Financial governance	50	Q2	5	0
			Q2-4	30	0
			Q2-4	15	0
A.4	Tracking recommendations and follow up	20	Q2	8	0
			Q2	2	0
			Q2-4	10	0






Ref	Auditable Unit	Total audit days*	Q	Audit days per Q	Audit days used to date
B					
B.1	Culture	30	Q2-4	23	3
			Q3	7	1
C					
C.1	IA management time	20	Q1-Q4	10	10
D					
D.2	Additional reviews requested		Q2-3	10	1
D.3			Q2-3	15	1
D.4			Q3	15	2
Total				235	29

Appendix D: Thought leadership: GDPR

EU General Data Protection Regulation (GDPR) begins in May 2018. The GDPR is creating challenges that requires action from everyone, including the NHS.

This is the largest change to data protection legislation in the last 20 years, and regulators have unprecedented power to impose fines and will require wide scale privacy changes across every organisation.

But it also represents a major opportunity to transform your approach to privacy, harness the value of your data, and ensure your organisation is fit for the digital economy. Attached below is a high level overview of GDPR:

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Individuals	Portable and forgettable data	Transparency	Risk from third parties	Timelines and fines
<p>It puts individuals back in control of their personal data</p> <p>Customers and employees have more power to control how businesses use their data. You could be required to report on, move or dispose of personal data if requested and you must have the capabilities to do this. Your options for using personal data are restricted.</p>	<p>Data must be easily portable and forgettable</p> <p>You must be able to provide individuals with their personal data in a structured, commonly used and machine readable form. Your systems and processes will have to let you truly 'forget and delete' data upon request from the individuals including long term archives.</p>	<p>How you use data will be more transparent</p> <p>The rules on consent are getting tougher, and individuals can withdraw consent at any time. You'll be required to articulate all of the ways in which you use personal data, and make it clear to individuals what their data is being used for and who you have shared it with.</p>	<p>Third parties could put you at risk</p> <p>You will remain responsible for individuals' personal data throughout the entire data lifecycle. You will have to assure that data you pass to third parties is handled in a manner compliant with GDPR.</p>	<p>Fines are getting bigger, and the timelines are getting shorter</p> <p>Fines for non-compliance can be as severe. You will be under legal obligation to notify data protection authorities within 72 hours of a data breach, and individuals without delay. You will have to keep records of your data processing activities, undertake privacy impact assessments and appoint a Data Protection Officer (DPO).</p>

Appendix D: Thought leadership: The Local State We're In 2017

Our new survey shows that councils have coped well in the face of this uncertainty in the short term, but concerns about the longer term remain high and the scale of the challenge ahead is significant. Austerity continues to be the backdrop as councils grapple with digital disruption, embracing the potential of data and analytics and developing resilience. Beyond organisational priorities, there is a growing focus on partnership working in order to deliver place based growth and public service reform. The full report can be found at: <http://www.pwc.co.uk/industries/government-public-sector/local-government/insights/local-state-we-are-in-2017.html>

Key findings:

The 'edge' feels closer

Almost a third of councils now feel that the 'cliff edge' is imminent and are not confident of their ability to deliver in the year ahead. When considering the three and five year outlooks, confidence halves and then halves again with only 16% confident that they will be able to make the necessary savings without impacting the quality of services or outcomes in the next five years.

The scale of the financial challenge



Councils are at the heart of public service reform, but it is a challenge

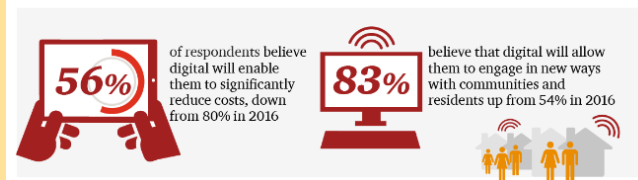
As councils shift their thinking towards driving public service reform across their place, six out of ten respondents agree that councils should be more responsible for facilitating outcomes rather than delivering services, yet only four in ten fully understand how to measure outcomes while only a quarter know the cost of securing outcomes across a place.

Taking the example of health and social care integration, while appetite for reform remains with 77% believing that integration will have a positive impact on health outcomes, barriers to integration are becoming apparent, with over half (54%) of respondents feeling that their council has not been fully engaged in the Sustainability and Transformation Plans (STP) process.

Significant capacity and capability gaps remain

Councils need to build organisational resilience and in particular develop new skills and commercial acumen in order to be effective. However, councils are notably under-equipped in terms of capabilities in a number of significant areas that will be essential for the effective operation of councils in the future.

A mixed picture on digital impact:



Managing data and driving insight is a gap

There are specific gaps around data and analytics capabilities, with only a third (33%) of respondents confident that their council uses data analytics effectively to inform decision-making and strategy. Furthermore, councils are vulnerable to cyber-attacks with only half (53%) our respondents confident in their approach to cyber security and a third (35%) confident that their employees are well equipped to deal with cyber threats.

Councils are vulnerable to cyber security risks



Local outcomes are at the heart of public sector reform



Appendix D: Thought leadership: A focus on new business and skills: How Doncaster is turning around its economic fortunes

The 2016 edition of our *Good Growth for Cities* series highlighted Doncaster as one of the fastest improving cities in the index. In this blog, we look at the initiatives put in place to bring about this improvement.

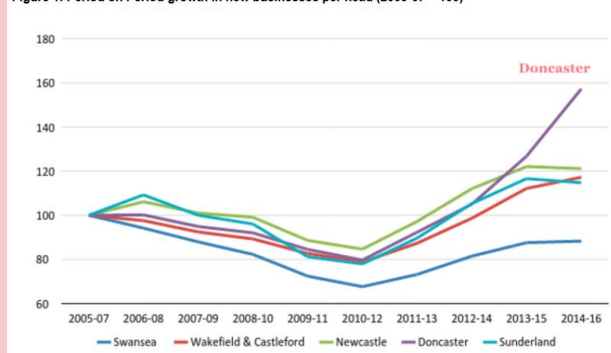
In the most recent edition of the Demos-PwC *Good Growth for Cities Index*, Doncaster was one of the top five cities showing an improvement in its score. This was driven by the largest increase in both new businesses per head and skill levels of young people seen across all of the cities covered by our analysis. Over recent years, Doncaster has directly targeted these areas with local initiatives.

Continuing Growth in new businesses

New businesses have been established within Doncaster at an increasingly rapid rate. Our analysis has found that, on average, 53 businesses were established for every 10,000 people each year in Doncaster between 2014 and 2016. This is nearly double the same figure between 2010 and 2012. The extent of this recent positive trend can be seen in Figure 1, which compares the trend in new business creation in Doncaster with that in a sample of its peers (the cities in our Index with most similar scores in 2005-07).

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Figure 1: Period on Period growth in new businesses per head (2005-07 = 100)



A local approach delivering results

So what has enabled Doncaster to generate its recent momentum? Over recent years, local initiatives have been introduced in Doncaster to develop the attractiveness of the city to business, and to improve local skills. These initiatives have coincided with significant improvements in both areas.

The 2013 launch of the [Doncaster Economic Growth Plan](#) outlined key measures to promote new business. Measures aimed to increase inward investment by improving response times to planning decisions and increasing the stock of modern industrial and office premises. Policies to support start-ups were also outlined, offering access to start-up advisors and mentors with established local businesses.

How effective has this plan been? Beyond the headline result of increasing numbers of new businesses, a 2015 review of a pilot scheme to encourage inward investment identified over **535 jobs were expected to be created, with initial investment reaching over £21 million**. This is equivalent to approximately a sixth of all jobs created in Doncaster between **2013 and 2014**.

Skills amongst young adults have also been directly targeted by Doncaster Council. For instance, 2013/14 saw the launch of the “Skills made easy” programme, supporting businesses to take on **130 new apprentices**. In 2015 the Doncaster Skills Academy was launched, enhancing work prospects for local students. These policies coincided with Doncaster achieving the largest increase of any major UK city in skills levels for 16-24 year olds in the 2016 *Good Growth Index*. Of note, skills is also a major topic for discussion at the [People’s Powerhouse Convention](#), hosted in Doncaster and addressing issues across the Northern Powerhouse.

The routes used by Doncaster to achieve economic growth are in line with the strategic priorities outlined at a national level in the recent [Green Paper on Industrial Strategy](#). Both improving skills amongst young people, and ensuring conditions to support business start-ups, innovation and growth were outlined as key pillars of this strategy and are likely to feature in the development of the proposed local industrial strategies.

Doncaster has more to do to deliver its economic transformation. But through investing in a **strong skills base** and creating a positive environment for new businesses, there is a substantial opportunity to deliver further place-based growth and improved urban wellbeing.

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