

**NORTHAMPTON BOROUGH COUNCIL
AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the
The Jeffrey Room, The Guildhall, St. Giles Square, Northampton, NN1
1DE
on Tuesday, 27 June 2017
at 6:00 pm.

**D Kennedy
Chief Executive**

AGENDA

1. APOLOGIES

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

2. MINUTES

(Copy herewith)

3. DEPUTATIONS / PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

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

6. GOVERNANCE ACTION PLAN UPDATE

(Copy herewith)

7. OVERVIEW OF LICENCE TO PRACTICE PROGRAMME

(Copy herewith)

8. ISA 260 UPDATE

(Copy herewith)

9. CORPORATE RISK REGISTER UPDATE

(Copy herewith)

**10. EXTERNAL AUDIT UPDATE AND INTERIM AUDIT
REPORT**

(Copy herewith)

11. EXTERNAL AUDIT FEE 2017-18

(Copy herewith)

12. INTERNAL AUDIT - ANNUAL AUDIT REPORT PWC

(Copy herewith)

13. LGSS - INTERNAL AUDIT ANNUAL REPORT

(Copy herewith)

14. 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.”

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, 6 March 2017

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

APOLOGIES: Councillor Brian Oldham

1. APOLOGIES

Apologies were received by Councillors Oldham and Golby.

2. MINUTES

The Minutes of the meeting held on Monday 16th January were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

There were none.

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

There were none.

6. GOVERNANCE ACTION PLAN - UPDATE

The Chief Executive outlined the report and updated the Committee on progress made with the Governance Action Plan. It was noted that since the last Audit Committee further progress had been made, in areas including;

- a) Executive Programme Board
- b) Corporate Governance and Support Board
- c) Efficiency & Medium Term Finance Board and People & Transformation Board
- d) Rewriting the Constitution to bring it up to date
- e) Proposal from CIPFA received; Management Board to consider at its next available meeting

It was explained that work was still ongoing with regards to the License to Practice Training Programme and that the progress of this would be reported back at a future Audit Committee. It was noted that steps had been made to identify areas of risk and in some instances this had been remedied through the appointment of staff. The Borough Secretary added that the Governance Action Plan was a fluid document and that the Council were committed to involving all relevant members, specifically the Standards Committee with regard to the Work Plan and Whistleblowing Policy, in implementing the necessary changes to improve Governance.

In response to questions asked by the Committee, it was explained to Members that there were deadlines and timescales in place but that the practice of good governance was an inherent part of the Council function and that progress was notable. It was further noted that the Council were moving towards a more risk averse authority and that bringing back some external resources back in house, would mitigate a portion of risk. It was further noted that

decisions, processes and procedures were being undertaken with more emphasis being placed on evidence based information and that this process would continue indefinitely and would become embedded into ongoing practices. It was reported that Councillors would also be briefed and fully updated on their obligations with regards to the practice of good governance within their specific areas.

RESOLVED:

1. That the progress against the Governance Action Plan be noted.

That actions taken to date be considered and guidance be provided to Officers on any areas of the Governance Action Plan they would require any further action or prioritisation.

7. ISA260 RECOMMENDATIONS - UPDATE

The Interim Strategic Finance Manager elaborated upon his report, stating that $\frac{3}{4}$ of the 41 recommendations had been completed and a further 6 outstanding recommendations were still within the target date. He also noted that the review of existing loans had been done against a summary checklist and sent to LGSS and PWC, this was in the process of being reflected upon and would be finalised before the end of March. The actions relating to the process issuing of loans would be reported within the governance action plan instead of the ISA260 Plan. It was also mentioned that regarding documentation and valuation of assets, there had been difficulty previously in tracking documents as they were not evidenced in one place but this was being addressed; and at this point, the lack in continuity of staff was considered a risk to the process.

In response to questions asked, the Committee heard that the lack of a full Asset Management department was still a risk, but some work had been outsourced and external providers were being actively engaged with to counter those risks. It was also mentioned that the services recently brought back in-house were key areas for governance.

RESOLVED:

That the progress achieved to date be noted by the Audit Committee against action plan developed by the statutory S151 Chief Finance Officer (CFO) to make improvements in line with the 2015/16 ISA260 Recommendations.

8. FINANCIAL MONITORING REPORT

The Chief Finance Officer submitted his report, outlining the financial position to 31st December 2016 and car parking income and usage to 31st January 2017. It was explained that an underspend was expected due, but not limited, to:

- a) Car parks - An additional car parking revenue
- b) Planning – Higher level of development control income for the year offset by a drop in anticipated building control income
- c) Debt financing costs
- d) Favourable Housing and Revenue accounts

Attention was drawn to the appendices showing that income was ahead of previous years.

In response to question asked, the Committee heard that the increase in car park revenue was due to additional season tickets being purchased; this could not be guaranteed so would be monitored on a regular basis. It was also noted that any potential growth would not be factored into the report, choosing to be prudent, but it was predicted that the increased use of the town's car parks would continue this upward trend. With regard to Housing, it was

stated that using the County Chambers was a cheaper alternative than using B&Bs for temporary accommodation. It was also explained that a small amount (£29.7k) of the 141 Right to Buy Receipts funds had to be sent back to the Treasury, but that the Council were working closely with Northampton Partnership Homes to mitigate the risk of any further funds being paid back.

RESOLVED:

1. That the Committee considered the contents of the following finance reports:
 - General Fund Revenue Monitoring
 - General Fund Capital Monitoring
 - HRA Revenue Monitoring
 - HRA Capital Monitoring
2. That the position on car parking income and usage to January 31st be noted.

9. POSITION STATEMENT ON VACANT POSTS AND INTERIM/AGENCY STAFF

The Chief Finance Officer submitted his report, highlighting the continued downward trajectory in the number of interim/agency staff employed at the Council. It was also noted that significant changes would soon be implemented by HMRC regarding whether a person was considered an employee for tax purposes ("IR35" compliant); officers had used draft assessment criteria to see how many interim/agency staff fell in/out of scope. No existing arrangements were in place past March for staff who had been assessed as in scope.

RESOLVED:

1. That the contents of the report be considered.

10. CORPORATE DEBT - PROGRESS AND AGE DEBT ANALYSIS

The Revenues Manager elaborated on the report, stating that arrears were continuing to reduce. The Committee were informed that the Council were in better control of monies owed, that Council Tax and CTRS collections had increased and that the CTRS caseload was reducing, however, the debt was being carried by fewer people due to a rise in the number of attachment of benefits orders.

In response to questions asked, the Committee heard that there had not yet been any analysis into a correlation between reducing CTRS and the time spent chasing debt as there were no additional resources, but it was something that officers would look at moving forward. It was also noted regarding attachment of benefit claimants that only a very small amount of monies could be taken (£3.70 per week)

RESOLVED:

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

11. ACCOUNTING POLICIES AND STATEMENT OF ACCOUNTS CHANGES

The Head of Integrated Finance at LGSS submitted a report that sought to approve accounting policy changes to the closure of accounts. It was noted that the S151 Chief Finance Officer had increased the accruals de-minimus from £1,000 to £5,000 for 2016/17, as recommended by KPMG in the 2015/16 ISA260 report. It was also noted that there were changes to the Accounting Policies, in line with a recommendation from KPMG, and in the

format of accounts, which would reduce the non-material items reported and the accounts as a whole by about ten pages.

RESOLVED:

- 1) That Accounting policies for 2016/17 Statement of Accounts, as set out in Appendix 1 of the report, be approved by Audit Committee.
- 2) That the S151 Chief Finance Officer as part of the closure of accounts guidelines to increase the accruals de-minimus from £1,000 to £5,000 for 2016/17 be noted.

12. INTERNAL AUDIT (LGSS) PROGRESS UPDATE

The Chief Finance Officer submitted a report updating members on progress made on the LGSS internal audit. It was noted that assurance reports would be reported at the next Audit Committee; by that time, all work would have been finalised and any actions agreed.

RESOLVED:

- 1) That the progress against the 2016/17 plan be noted.

13. INTERNAL AUDIT (PWC) UPDATE REPORT

The Audit lead for PwC submitted an update report, informing the Committee on progress made against the 2016/17 plan. It was noted that due to time restraints, three items had been removed from the audit plan but that discussions were in place to extend the audit provision to support delivery of the remainder of the plan. Since the previous report, four key findings had been identified in Planning; one low risk and three medium risk. Audit fieldwork had been completed and draft reports had been prepared, to be reported at the next Audit Committee. It was further noted that much progress had been made on developing the 2017/18 audit plan, with plans on bringing a detailed audit plan to the next Audit Committee.

In response to questions asked, the Committee heard that a longer period of time than normal had been taken examining the internal arrangements within the Council for managing NTFC loan and providing lessons learned and that this was the main reason items had been dropped from the plan. It was further noted that this was not unusual; audits changed based on priority.

On behalf of the Committee and officers, the Chair thanked PwC for their continued hard work.

RESOLVED:

- 1) That progress against the 2016/17 plan be noted by the Audit Committee.
- 2) That the approach and development of the draft 2017/18 internal audit plan be approved by the Audit Committee.

14. KPMG - EXTERNAL AUDIT 2016/17 PLAN AND UPDATE

Andrew Cardoza - KPMG, submitted a report outlining the external audit plan for 2016/17. It was stated that a number of high risk issues had been identified, including:

- 1) Valuation of Council dwellings
- 2) Changes in the pension liability due to the LGPS Triennial Valuation
- 3) Management override of controls
- 4) Disclosures associated with retrospective restatement of CIES, EFA and MiRS
- 5) Change in the Non Domestic Rates system

- 6) Governance Action Plan
- 7) NTFC loan and wider loan systems
- 8) Financial resilience in the local and national economy.

It was noted that additional costs would be incurred due to the increased audit risk in 2016/17, the change to the Code and the NTFC loan Police investigation, and changes to the fee would be discussed with the Chief Executive and the Chief Finance Officer. After carrying out work on the Housing Benefit Subsidy claim and Pooling of Housing Capital Receipts Return for 2015/16, the certified values of the claim and return were £72,236,930 and £1,091,047.84 respectively. The small number of issues found meant that no adjustments needed to be made to the Council's claim.

In response to questions asked, the Committee heard that KPMG had no information on when the police investigation regarding the NTFC loan would conclude. It was noted that KPMG would give the Police all the information they required, but the Police were under no obligation to reciprocate.

The meeting concluded at 7:47 pm

Appendices:
A. Governance Action Plan
B. Implementation Status Report



AUDIT COMMITTEE REPORT

Report Title	Progress Update on Implementing the Governance Action Plan
---------------------	---

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	27th June 2017
Policy Document:	No
Directorate:	Borough Secretary
Accountable Cabinet Member:	Cllr Eldred

1. Purpose

1.1 This report outlines progress made to date on formulating and 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 and its covering implementation status report from the Chief Executive, 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. It seeks in the period after Sixfields to get to the core of how the governance arrangements and processes of the Council must work both tangibly and intangibly and the specific procedures that need to be in place, or need to be reinforced, to ensure that proper and effective governance happens in practice

at all times and this on a par of organisational importance with the Budget Book and/or the Constitution.

3.1.2 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 develop the Audit Committee to provide 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 its affects exposure to 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.

3.1.3 Implementation of this 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 Governance and Support Programme Board led by the Borough Secretary.

3.1.4 The current Plan has been reviewed and made more "SMART" from the previous version

3.1.5 A new implementation status report, which reports and quantifies the extent of implementation of actions in the Plan, has also been developed and it is proposed this will be reported to Management Board on a regular monthly basis. The proposed May 2017 report is enclosed at Appendix B for the attention of the Committee.

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 key 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 a Governance and Risk Manager on a permanent basis in June with the specialist expertise to lead on reviewing and strengthening all governance and risk processes (including the risk management strategy), to lead also on establishing the Licence to Practice framework as vehicle to address organisational weaknesses, and to support the continuing professional development of the Council's audit committee.
- 3.2.4 Specific actions completed include the update of the corporate risk register during April 2017, approval of the Risk Management Policy by the Management Board on 27.04.17, the developing of a Risk Identification and Risk Management Training module for staff as a high-priority part of the Licence to Practice programme and also the commencement of work to produce risk management training plans for key officers of the Council and also the Audit Committee.

3.3.1 Due Diligence

- 3.3.2 The 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 have 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.
- 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.
- 3.3.4 Due diligence has also been identified as a high-priority dedicated training modules as part of Licence to Practice Programme.

3.4.1 Project & Programme Support

- 3.4.2 Transfer of programme from LGSS and a review of project governance are the two key tasks set for project and programme support in the Governance Action Plan.
- 3.4.3 Further to these two tasks transfer of LGSS staff was completed on 30.01.17 and a new project framework has been developed with project and programme clarified and with a focus on assurance built into the framework. A

monitoring and tracking and exception reporting process has also been developed.

3.4.4 The Governance & Risk Manager above has also been appointed to strengthen project risk and governance processes and Major Programme and Project Management has been identified as a key Licence to Practice module.

3.4.5 The overall review of project governance continues and is on-going.

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 or 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 Specific actions now complete include the appointment of the Governance and Risk Manager, quarterly meetings being in place between LGSS, PWC and CFO, all recommendations have now been grouped and collated centrally to support the reporting of all recommendations to the Audit Committee incorporating progress against the recommendation and an overall review of recommendations has now commenced.

3.5.6 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 implementation system software has been installed and Traction training has started to be cascaded to relevant staff.

3.6.1 Cabinet Clearing Processes

3.6.2 One area of weakness identified by Internal Audit in their report on Sixfields 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 processes 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 leaning for officers.
- 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 an exercise has begun to measure the extent of the Council's compliance with the CIPFA/SLOACE framework, the appointment of the Governance and Risk Manager has occurred, information has also been received from the CIPFA/SOLACE representative on the governance standards the Council must meet to achieve the mark of Excellence award. Proposals for an external review of governance arrangements are being progressed to update the Council's local Code of Governance.
- 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.

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 with purchase orders is now reported as part of financial dashboard at management teams and the Finance Team have engaged and communicated with all managers the benefits in improved purchase orders practice

3.8.4 On-going training on the purchase order process through monthly meeting with budget managers is currently being rolled out and the Licence to Practice module Overview of Finance and Budget-Management was delivered to relevant staff in March 2017.

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
- Review Cabinet clearance process

3.9.3 To date the Whistleblowing policy has been reviewed and endorsed by the Standards Committee on the 20.03.17 and will go to Cabinet.

3.9.3 The External Whistleblowing policy was also approved by the Standards Committee and has also been tabled for Cabinet approval. And Review of Officer & Member Hospitality has been completed and will similarly be tabled for cabinet approval. As indicated above stronger financial clearing processes and Cabinet clearance processes are now in place

3.9.3 Whistleblowing has also been included in the Licence to Practice learning module to be delivered to officers 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 that are relevant 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 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 Whilst there are no specific equality implications at this stage, various policies will be reviewed through the Governance Action Plan. All these reviews will be supported by equality and community impact assessments.

4.4 Equality

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

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

**David Kennedy, Chief Executive
Francis Fernandes, Borough Secretary
Glenn Hammons, Chief Finance Officer**

GOVERNANCE ACTION PLAN AS AT 31.05.17

No.	GOVERNANCE ACTION PLAN IMPROVEMENT AREA	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.05.17	REVIEW DATE
A. RISK MANAGEMENT											
	1		• Risk Policy and Framework to be reviewed by Management Board	H	Governance & Risk Manager	26.04.17	Fully Implemented	100%	G	Submitted for MB approval at MB meeting 26.04.17	31.12.17
	2		• Risk Policy (including risk appetite) to be reviewed by Audit Committee	H	Governance & Risk Manager	30.07.17	Partially Implemented	75%	G	Submitted for approval for AC meeting 15.05.17 but meeting cancelled and will be put to the next Committee meeting.	31.12.17
	3		• Governance monitoring arrangements to be in place with updates taken to the Audit Committee	H	Governance & Risk Manager	30.06.17	Partially Implemented	50%	A	Regular updates of the LTP and GAP and performance on the annual audit plan in place. An outstanding area is indicated to be regular reporting of NBC performance to the AC on the implementation of audit recommendations by the due date. Similarly the extent of compliance with the 2016 CIPFA Solace Code of Governance remains outstanding.	31.12.17
	4		• Refresh and cascade the risk management strategy and framework	H	Governance & Risk Manager	30.07.17	Partially Implemented	20%	A	Strategy currently being reviewed (review is in its early stages) and redrafted prior to cascading	31.12.17
	5		• Schedule of risk related policies to be approved by Management Board	H	Governance & Risk Manager	30.07.17	Partially Implemented	10%	A	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	31.12.17
	6		Generate a training plan for key officer and member groups to include • Management Team • Heads of Service • Project Managers • Members - Cabinet • Audit Committee members	H	Governance & Risk Manager	30.07.17	Partially Implemented	10%	A	Plan to be prepared in tandem with the update of the Risk Management strategy. Outline Training Plan preformat for officers being developed. Licence to Practice prioritises risk management training for early delivery in the Programme.	31.12.17
B. REVIEW ALL CURRENT PROJECT PROCESSES											
	7		Post-implementation review of the operation and effectiveness of the Executive Programme Board since its establishment in late 2016	H	Director of Regeneration, Enterprise and Planning	30.07.17	Partially Implemented	TBC	TBC	It is indicated that this work is in it relatively early stages. Confirm further details at MB	31.12.17
	8		• Name all high impact and high value projects	H	Borough Secretary	30.06.17	Partly Implemented	30%	G	This work is included as part the previous action and will be progressed in line with it.	31.12.17
	9		Review and log all projects currently live and in the pipeline	H	Borough Secretary	30.06.17	Partly Implemented	30%	G	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. This in turn will be used as monitoring/decision-support tool and also will feed into Director-led reporting to Members	31.12.17
	10		• Name all high impact and high value projects	H	Borough Secretary	30.06.17	Partly Implemented	30%	G	This work is included as part the previous action and will be progressed in line with it.	31.12.17

No.	GOVERNANCE ACTION PLAN IMPROVEMENT AREA	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.05.17	REVIEW DATE
11			• Carry out an in-depth risk review of high value/high impact projects	H	Borough Secretary	30.06.17	Partly Implemented	25%	G	Gateway reviews now established for Vulcan, Del Apre, Greyfairs and Museum & Art Gallery	31.12.17
12			• Specialist risk management training to become mandatory for all officers involved in projects. This to apply to current and future projects	H	Borough Secretary	30.07.17	Not Implemented	0%	G	Linking in with the governance and risk function we in 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	31.12.17
13			• Specialist training, workshops to be arranged and delivered with external and internal resources and in consultation with the Council's internal auditors	H	Borough Secretary	30.07.17	Not Implemented	0%	G	This will form part of the above action and be included in it. Suggest removing this action as a duplication of the above action	31.12.17
14			• Risk reporting to be reviewed ensuring that there is an effective cascade of risk through governance arrangements.	H	Borough Secretary	31.12.17	Partly Implemented	20%	G	This will go 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.	31.12.17
15			• Refreshed monitoring and tracking process ie project/service risks may also become a corporate risk	H	Borough Secretary	31.12.17	Partly Implemented	20%	G	See above. This will be included as part of the above action	31.12.17
16			• Clarity on risk exception reporting process. Corporate, service and project risks are to be reviewed monthly.	H	Borough Secretary	31.12.17	Partly Implemented	20%	G	See above. This will be included as part of the above action	31.12.17
17			• Establish and embed risk management surgeries	H	Borough Secretary	31.12.17	Partly Implemented	20%	G	Included in the above action on specialist training. It is expected surgeries will be useful and come into effect 3-6 months after the training and the framework put in place for set within completion of the above action	31.12.17

No.	GOVERNANCE ACTION PLAN IMPROVEMENT AREA	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.05.17	REVIEW DATE
	C. PROGRAMME & PROJECT SUPPORT	18	• Transfer to be completed on 1 January 2017	H	Borough Secretary	01/01/2017	Fully Implemented	100%	G	Transfer completed	31.12.17
		19	• 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.	H	Director of Regeneration, Enterprise and Planning	31.12.17	Partly Implemented	20%	G	Will be addressed as part of the project management framework at a corporate level and the present structure/configuration of Boards will also be considered.	31.12.17
		20	• Appoint a Governance and Risk Manager to improve relevant areas	H	Borough Secretary	31/03/2017	Fully Implemented	100%	G	Appointment effective from 27.03.17	31.12.17
		21	• Ensure all relevant projects to go through a gateway or similar process, including 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	Director of Regeneration, Enterprise and Planning	31.12.17	Partly-Implemented	20%	G	Will be addressed as part of the project management framework starting with the MB presentation on 25.05.17. We have already started gateway reviews on Vulcan, Del Apre, Greyfrairs and Museum & Art Gallery	31.12.17
		22	• The requirement for regularly reporting back to cabinet on significant projects is in place	H	Borough Secretary	TBC	TBC	TBC	TBC	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. Confirm at MB that this is the position	31.12.17
		23	• Each project/programme to require the completion of a declaration of interests form by each participant (member or officer or advisor)	H	Director of Regeneration, Enterprise and Planning	31.12.17	Partly-implemented	0%	G	From the end of May 2017 we will require this for all new projects going forward. However this action i feel would benefit from being further considered. I feel it is important to address this area via training and evidence of training and place the duty on participants to declare interests. A 100% "capture-all" approach could end up being overly-burdensome and bureaucratic and undermine the necessary dynamism of projects. I would suggest a review of this action before the next GAP reporting date.	31.12.17
		24	• 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.	H	Governance & Risk Manager	31.12.17	Partially Implemented	50%	G	Major programme and programme management module included in LTP as a high-priority module. Mandatory training element not currently progressed.	31.12.17
		25	• Risk reporting to be reviewed ensuring that there is an effective cascade of information through governance arrangements	H	Borough Secretary	31.12.17	Partly Implemented	20%	G	This will included as part of addressing the clarity on risk exception reporting processes.	31.12.17

GOVERNANCE ACTION PLAN AS AT 31.05.17

No.	GOVERNANCE ACTION PLAN IMPROVEMENT AREA	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.05.17	REVIEW DATE
D. DUE DILLIGENCE (Incl. loans to 3rd parties)		26	• Develop and implement enhanced Corporate Project and Programme Management framework and arrangement. To include a Corporate Governance Support Officer Programme Board, Northampton Alive Officer Programme Board and an Efficiency MTFS Officer Programme Board	H	Borough Secretary	31.12.17	Partly Implemented	20%	G	Will be addressed as part of the project management framework at a corporate level and the present structure/configuration of Boards will also be considered.	31.12.17
		27	• Establish a due diligence and compliance manual	H	Chief Financial Officer	31.12.17	Partly Implemented	50%	A	First stage (Loans Checklist) fully completed. 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.	31.12.17
E. INTERNAL AUDIT RECOMMENDATIONS		28	• Review all internal audit recommendations since June 2013	H	Finance & Strategic Business Partners	30.06.17	Fully Implemented	100%	G	Action completed	31.12.17
		29	• Assess delivery of all internal audit recommendations since June 2013 where not already delivered.	H	Finance & Strategic Business Partners	30.06.17	Partly-Implemented	75%	G	Relationship between IA and EA now better with both teams now sharing plans and progress. Key now is to put in place further continuation of these protocols to reach 100% implementation.	31.12.17
		30	• 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
		31	Set and monitor client-side target in 2017/18 for the full 100% implementation of all agreed internal audit recommendations by the due date	H	Chief Financial Officer	30.09.17	Partly-Implemented	25%	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	31.12.17
		32	•Report progress on delivery of internal audit recommendations to Management Board and Audit Committee	H	Chief Financial Officer	30.09.17	Partly-Implemented	0%	G	Will be incorporated as part of updates to the Audit Committee.	31.12.17
F. EFFECTIVE DECISIONS - CABINET CLEARANCE PROCESS		33	• Implement PwC audit recommendation tracking software (TrAction)	H	Chief Financial Officer	30.06.17	Fully-Implemented	100%	G	Action completed	31.12.17
			• Instigate regular reporting/monitoring to and by management board/audit committee {action merged with Audit Committee reporting above}	H	Chief Financial Officer	N/A	N/A	N/A	N/A	N/A	N/A
		34	• Revise and cascade changes to the Call Over process	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
		35	• 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	Two stage Call Over Process implemented with Management Board oversight of standards and content of reports	31.12.17
		36	• Deliver training on standards requirements	H	Chief Executive	31.12.16	Fully Implemented	100%	G	Implemented	31.12.17

No.	GOVERNANCE ACTION PLAN IMPROVEMENT AREA	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.05.17	REVIEW DATE
		37	• 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.	31.12.17
		38	• Provide better Cabinet clearance report guidance	H	Chief Executive	31.03.17	Fully Implemented	100%	G	Cabinet report writing guide published and implemented	31.12.17
		39	• 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	Every effort is being made to do this by Democratic Services so as to ensure these deadlines are met. It should be noted that elements of this action (cabinet report submission) is not entirely controllable by Democratic Services. This controllability issue maintains the RAG status at amber in this context.	31.12.17
		40	• Review process for formal clearance	H	Borough Secretary	31.03.17	Fully Implemented	100%	G	Action completed	31.12.17
		41	• Review and refresh clearance process	H	Borough Secretary	31.03.17	Fully Implemented	100%	G	Action completed	31.12.17
		42	• Ensure basic guidelines on Cabinet process are circulated	H	Borough Secretary	31.03.17	Fully Implemented	100%	G	Action completed	31.12.17
		43	• 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
		44	• Reports to contain adequate and evidenced information to support decision needed	H	Borough Secretary & Chief Financial Officer	31.03.17	Fully Implemented	100%	G	Action completed	31.12.17
			•Relevant decisions to have mandatory and financial business models produced by the Council [now merged with business cases and appropriate models above]	H	Borough Secretary & Chief Financial Officer	N/A	N/A	N/A	N/A	N/A	N/A
		45	• 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	31.12.17
	G. GOVERNANCE	46	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. Module dates for the very high priority courses (5 modules) set and to be delivered before 31.07.17 and commissioning/procurement for these modules with providers now underway.	31.12.17
		47	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	30.06.17	Partly Implemented	50%	A	"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	31.12.17

No.	GOVERNANCE ACTION PLAN IMPROVEMENT AREA	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.05.17	REVIEW DATE
	H. FINANCIAL GOVERNANCE	48	• 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	H	Governance & Risk Manager	30.06.17	Partially Implemented	40%	A	CIPFA/SOLACE self-assessment questionnaire devised according to best practice and meetings set with key officers to complete self-assessments. Officers completing self-assessments will be Borough Secretary, Sect 151 Officer, HR Business Partner, Director of E&C and Head of Housing & Wellbeing with final sign-off of the assessments by CE. Currently alongside the AGS this the key/highest priority governance work area.	31.12.17
		49	• External validation report of progress against the standard	H	Governance & Risk Manager	30.06.17	Partially Implemented	40%	A	Report to be extracted from results of self-assessment meetings above.	31.12.17
		50	SUGGESTED NEW ACTION 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	10%	G	Lessons learned exercise in progress on the 16/17 AGS in conjunction with Finance to identify areas for potential improvement including processes and presentation	31.12.17
		51	• Communicate the importance of raising purchase orders with budget managers.	H	Chief Finance Officers	30.04.17	Fully Implemented	100%	G	Action completed	31.12.17
		52	• 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	31.12.17
		53	• 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	Action Completed	31.12.17
		54	• Review system controls and implement improvements	H	Chief Finance Officers	31.10.16	Fully Implemented	100%	G	Action Completed	31.12.17
		55	• Review and improve reserves drawdown process	H	Chief Finance Officers	31.12.16	Fully Implemented	100%	G	Action Completed	31.12.17
		56	• Ensure there is improved compliance with the reserves drawdown process	H	Chief Finance Officers	31.12.16	Fully Implemented	100%	G	Reserve draw-downs now reported to Cabinet through the Financial Monitoring Report	31.12.17
		57	• Ensure there is improved reporting of the reserves drawdown process	H	Chief Finance Officers	31.12.16	Fully Implemented	100%	G	Reserve draw-downs now reported to Cabinet through the Financial Monitoring Report	31.12.17
		58	• Review the supplementary estimate process and improve compliance	H	Chief Finance Officers	31.12.16	Fully Implemented	100%	G	Action completed	31.12.17
		59	• Review virement process and improve compliance and reporting	H	Chief Finance Officers	31.12.16	Fully Implemented	100%	G	Action completed	31.12.17
		60	• Establish a gateway process for progressing capital programme schemes through each stage of their capital programme life	H	Chief Finance Officers	30.06.17	Partly Implemented	50%	G	Two stage process created. Development Board created Feb 17. Costs are challenged and verifies before the second stage. Second stage remains outstanding.	31.12.17
		61	• 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	LTP course has been run but there is a further need to capture staff that did not or could not attend the first course so more work required.	31.12.17

No.	GOVERNANCE ACTION PLAN IMPROVEMENT AREA	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.05.17	REVIEW DATE
I. OTHER		62	• Effective Whistleblowing arrangements are in place	H	Borough Secretary	30.06.17	Partially Implemented	75%	G	Policy approved by standards Committee and Cabinet. To be approved at next Full Council meeting	31.12.17
		63	• All HR policies and procedures to be reviewed	H	HR Business Partner	31.05.17	Partially Implemented	61%	A	Of the 46 policies to be reviewed 28 reviews have been completed and the remaining 18 policy reviews should be drafted by 31.05.17. However it is to be noted that the processes of Management Board review and TU consultation/agreement to the policies could extend the overall deadline for full completion of this exercise to 30.09.17	31.12.17
		64	• Review Officer and Member Hospitality policy and guidance and publish guidance	H	Borough Secretary	30.09.17	Partially Implemented	20%	G	To be addressed as part of the Standards Committee workplan and scheduled for completion in September 2017 which will review the types of interests that Members and Officers are required to declare; the way such declarations are made and how they are monitored by the Standards Committee . Currently (May 2017) every Director and Hd. Of Service has updated and completed their register of interest form. All but one Member has returned the register of interest form and this declaration is currently being sought. The current guidance in place and prior to any review occurring has been published on the internet and will be imminently published on the NBC intranet.	31.12.17
		65	• Review Cabinet clearance process	H	Borough Secretary	31.05.17	Fully Implemented	100%	G	The new governance arrangements are working. Reports are considered by management board and Executive Programme Board at an early stage.	31.12.17
		66	• Identify risk from lack of compliance	H	Borough Secretary	31.05.17	Fully Implemented	100%	G	As above the new governance arrangements are in place and working in this area lowering any perceived risk	31.12.17
		67	• A Cabinet report writing guide is produced and is monitored for compliance	H	Chief Executive	31.03.17	Fully Implemented	100%	G	Cabinet report writing guide published and implemented	31.12.17
				H							

APPENDIX B - MANAGEMENT BOARD MONTHLY GOVERNANCE ACTION PLAN STATUS REPORT AS AT 31.05.17

Headline & Status

The Plan is in the main on track to be fully implemented by the relevant due dates.

GREEN

Overview

Achievements

- Current levels of implementation are strong (96% of actions are either at a fully or partly implemented stage) albeit we are at the relative early stages of the Plan
- The current Plan has been reviewed and made more “SMART” from the previous version
- Profile and awareness of the Plan amongst NBC staff has increased via MG training session & attendance at DMTs.
- Reporting framework now established

Potential Problem Areas/Issues

- Not all of the actions are clear or clearly understood by owners and these have been designated “To Be Confirmed” via discussion at Management Board
- Implementation levels could face greater barriers and challenges and potentially slow down as the Plan progresses with increased pressure/competition for resources and as the number of quick wins diminishes. It is noted 83% of partly complete actions are as at 31.05.17 at a 50% or less stage of completion.

Board Exception Reporting Item(s)

There is a suggested new action (Action 50) on the Annual Governance Statement (AGS) in the Governance section Page 6.

The Board is advised that over the coming months the required action plan to address any non-compliance with the CIPFA/SOLACE Governance Framework is likely to create a significant amount of further governance actions to be progressed alongside this Plan.

a). Overall Analysis of the Implementation Status of Governance Plan Actions as at 31.05.17

GOVERNANCE AREA	Number of Actions	Fully Implemented	Partly Implemented	Not Implemented	To Be Confirmed
Risk Management	6	1	5	0	0
Project Processes	11	0	9	2	0
Programme & Project Support	9	2	6	0	1
Due Diligence	1	0	1	0	0
IA Recommendations	6	3	3	0	0
Exec. Decisions – Cabinet Processes	12	9	2	0	1
Governance	5	0	5	0	0
Financial Governance	11	9	2	0	0
Other	6	3	3	0	0
Total	67	27	36	2	2
Percentage	100%	40%	54%	3%	3%

APPENDIX B - MANAGEMENT BOARD MONTHLY GOVERNANCE ACTION PLAN STATUS REPORT AS AT 31.05.17

b). Analysis of Not Implemented Actions as at 31.05.17

No	Action	Rationale/Barriers to Non-Implementation
12	Specialist risk management training to become mandatory for all officers involved in projects. This to apply to current and future projects	Linking in with the governance and risk function we in 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
13	Specialist training, workshops to be arranged and delivered with external and internal resources and in consultation with the Council's internal auditors	This will form part of the above action and be included in it. Suggest removing this action as a duplication of the above action

c). Analysis of % Complete of Partly Implemented Actions as at 31.05.17

% Complete Banding	Number of Partly Complete Actions	%
1-25% Complete	18	50
26-50% Complete	12	33
51-75% Complete	4	11
76-100% Complete	0	0
TBC	2	6
Total	36	100

d). Analysis of Actions by "On Track" RAG Implementation Status as at 31.05.17

Action Plan Area	Number of Actions	Red	Amber	Green	TBC
Risk Management	6	0	4	2	0
Project Processes	11	0	0	10	1
Programme & Project Support	9	0	0	8	1
Due Diligence	1	0	1	0	0
IA Recommendations	6	0	0	6	0
Exec. Decisions – Cabinet Processes	12	0	1	10	1
Governance	5	0	3	2	0
Financial Governance	11	0	1	10	0
Other	6	0	1	5	0
Total	67	0	11	53	3
Percentage	100%	0%	16%	79%	5%

APPENDIX B - MANAGEMENT BOARD MONTHLY GOVERNANCE ACTION PLAN STATUS REPORT AS AT 31.05.17

e). % Trend Analysis of Performance on Implementation for FY 2017-18

Implementation Status %	FY 2017-18											
	A	M	J	J	A	S	O	N	D	J	F	M
Fully Implemented	-	40										
Partly Implemented	-	54										
Not Implemented	-	3										
TBC	-	3										
Total	-	100										

**Appendices:
Licence to Practice
Programme**



AUDIT COMMITTEE REPORT

Report Title	Overview of the Licence to Practice Programme
---------------------	--

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	27th June 2017
Policy Document:	Licence to Practice Programme
Directorate:	Borough Secretary
Accountable Cabinet Member:	Brandon Eldred – Finance

1. Purpose

1.1 This report sets out progress made to date on formulating, commissioning and implementing the Council's Licence to Practice organisational training and development programme.

2. Recommendations

2.1 Consider the actions taken to date and to provide guidance to Officers on any of the areas of the Licence To Practice programme that they would require further information, action or prioritisation on.

3. Issues and Choices

3.1 Report Background

3.1.1 As part of the Governance Action Plan a corporate programme of training and development for officers across FY 2017/18 to ensure that all officers understand their governance responsibilities, and have the necessary skills and abilities to do so, has been developed. This programme is termed Licence to Practice (LTP) and is attached at Appendix 1 to this report.

3.1.2 After the initial phases of this programme no officer will be allowed to perform any key role at the Council without having demonstrated that they understand and can use and comply with the necessary governance policies and procedures. The programme will be a key part of driving and supporting the

training, development and assessment of staff to a much higher standard of practice and develop a much stronger central capacity which in turn will be key to improving the Council's control environment and driving any changes required from the Council.

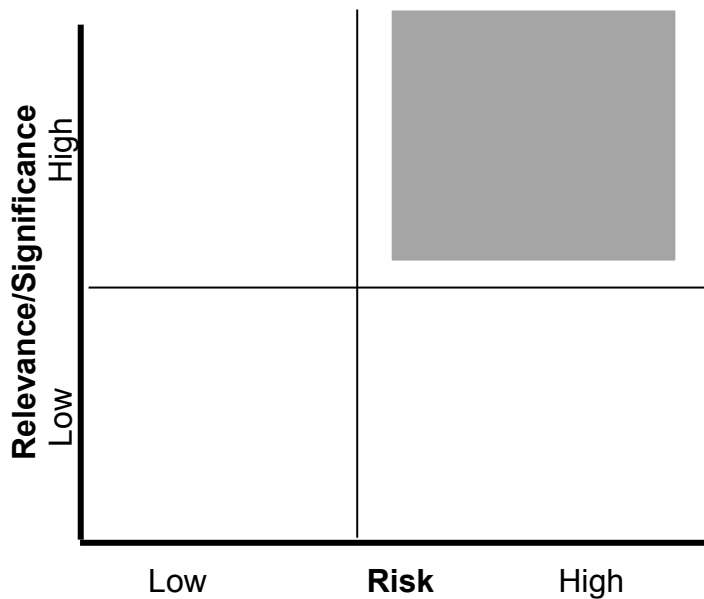
3.1.3 Chief Officers, Directors, Statutory Officers, Divisional Directors, Heads of Service have been designated as the initial cohort of attendees for the Programme but with the rolling out the training to other key officers, such as service-managers and team-leaders, subsequent to this.

3.1.4 The Programme of training has been developed in association with the Council's organisational development specialist.

3.1.5 To date some 23 modules have been identified and prioritised on a broad indicative basis for delivery as outlined below:-

LTP MODULE	Priority
Risk Identification & Risk Management	Very High
Preparing a Business Case	Very High
Due Diligence - Legal Dimension	Very High
Due Diligence – Financial Dimension	Very High
Code of Governance & Whistleblowing	Very High
Major Project & Major Programme Management	High
Competitive Tendering	High
Declaration of Interests	High
Fiduciary Duties	High
Recording Decisions & Records & Delegations	High
General Data Protection Regulations	High
Pre-Cabinet Process, Report-Writing & Exempt Info	Medium
Credit Risk	Medium
Overview of Finance & Budget Management	Medium
Enterprise & Commercialisation	Medium
Corporate Vision, Mission, Planning & Objective Setting	Medium
Equalities, Human Rights & Employee Code of Conduct	Medium
Train the Trainer	Low
People and Performance Management	Low
Members & Officers	Low
Corporate Health & Safety	Low
Insurance	Low
Business Continuity & Emergency Planning	Low

3.2.6 Prioritisation of the course modules has been based on consideration of firstly the risks inherent in the subject matter of the module and secondly the relevance or significance of that area to the organisation, as outlined pictorially below:-



3.2.7 The PWC report on Sixfields has been key in identifying the programme of training and prioritisation. Further to the above model modules which are of higher subject matter inherent risk and also of higher organisational relevance have been prioritised in the Programme as indicated by the shaded area above.

3.2.8 After having sought a number of quotes from the market for delivery of the high-priority modules, it has been decided that the programme of training will in the main be delivered by CIPFA as a single provider over the coming months and who will be commissioned as an organisational partner to work with the Council and to facilitate the majority of the training modules.

3.2.9 In choosing CIPFA as its key training partner for the LTP the Council believes that this course of action optimises its considerations of price, quality and value-for money in commissioning the Programme and also of achieving the purpose and objectives of the LTP.

3.2 Issues & Choices

3.2.1 The committee have the opportunity to comment and ask any questions direct to Council staff on the Licence to Practice and to provide guidance to officers on the areas covered by the modules and their prioritisation.

4. Implications (including financial implications)

4.1 Policy

4.1.1 As outlined above no officer will be allowed to perform any key role at the Council without having demonstrated that they understand and can use and comply with the necessary policies and procedures

4.2 Resources and Risk

- 4.2.1 Should the LTP Programme not be resourced and implemented the Council is exposed to a much higher risk of a weakened control environment and so that a similar event to Six Fields could occur again.
- 4.2.2 Both internal and external resources will be used to support the Programme. Further details of Programme costs will be reported to the Audit Committee when available.

4.3 Legal

- 4.3.1 There are no specific legal implications to this report. However the enhanced training will reduce the risk and improve governance at the Council.

4.4 Equality

- 4.4.1 There are no specific equalities implications to this report.

4.5 Consultees (Internal and External)

- 4.5.1 The Council's Management Board and its Corporate Governance and Support Officer Programme Board have been internally consulted to date and will be in the future as the LTP progresses and it is also expected that all boards and key groups will be similarly consulted.
- 4.5.2 There has been no external consultation to date.

4.6 Other Implications

- 4.6.1 None

5. Background Papers

- 5.1 There are no background papers.

Francis Fernandes
Borough Secretary & Monitoring Officer
01604 837334

APPENDIX ONE - INDICATIVE SCHEDULE OF LICENCE TO PRACTICE LEARNING MODULES AS AT 08.05.17

MODULE	DESCRIPTION	DELEGATES/ ATTENDEES	LEARNING OBJECTIVES	SPONSOR	EXAM/ TESTING	FACILITATOR/ SME	DELIVERY METHOD	COURSE EVALUATION METHOD	PRIORITY
RISK IDENTIFICATION & RISK MANAGEMENT	<ul style="list-style-type: none"> Understanding what a risk is Understanding the link between risks and service and corporate plan objectives Environmental scanning Root cause analysis Measuring impact & likelihood Managing and mitigating the risk Completing a risk assessment Positive Risk Opportunities Emergent Risks Contingency Planning Producing a risk register Escalating risk concerns 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> Knowledge and understanding of risk management principles and concepts Creation of a risk-aware mind-set Completion of a risk assessment Completion of a risk register Achieving planned targets & objectives (incl.service plans) Informed and efficient allocation of resources Understanding and articulating risk appetite Compliance with the general local authority statutory duty to manage risk effectively 	Francis Fernandes	Yes	PWC	45 min Management Session	<ul style="list-style-type: none"> Attendee feedback and evaluation Sponsor feedback and evaluation Internal/external assessment 	VERY HIGH
PREPARING A BUSINESS CASE	<ul style="list-style-type: none"> A step-by-step guide to developing a systematic and objective approach to creating business cases, leading to more informed decision-making and to securing better value for money in the public sector and incorporating a multiple choice closed book exam lasting 40 minutes 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> Through reference to the Five Case Model, HM Treasury's 'Green Book' and a range of exercises and case studies, you will understand how to address the following key questions: <ul style="list-style-type: none"> * Is there a compelling case for change? * Does the preferred investment option optimise value for money? * Is the proposed deal commercially viable? * What are the key non-financial considerations? * Is the spending proposal affordable? * How can the proposal be delivered successfully? * Declaration of Interests 	Cathie Wright	Yes	TBC	1/2 Day Seminar	<ul style="list-style-type: none"> Attendee feedback and evaluation Sponsor feedback and evaluation Internal/external assessment 	VERY HIGH
27 DUE DILIGENCE (Legal Dimension) - LEGAL LEAD	<ul style="list-style-type: none"> This course will set out to NBC officers how to conduct a solid and reliable due diligence review of potential partners and proposals for decision-making before formal engagement is made 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> What is due diligence and why conduct one? Due diligence on partners/companies/individuals with whom the council is engaging with What is the framework of joint venture & partnership working? What could go wrong in joint ventures and partnership working if due diligence is not carried out effectively Adherence to NBC governance protocols. The general power of compliance and State Aid What should be the scope of the due diligence work and how to determine whether the right level of work has been done? How should financial due diligence be conducted and by whom? How can potential risks be identified and the appropriate action then taken How can the strengths and weaknesses of potential partners be assessed for suitability and strategic fit? The different frameworks for effective joint venture and partnership working Practical illustration using case studies and templates for your future use Use of checklists, incl.financial checklists Questions and answers 	Francis Fernandes	Yes	Needs to be a Legal and Finance Input	1/2 Day Seminar	<ul style="list-style-type: none"> Attendee feedback and evaluation Sponsor feedback and evaluation Internal/external assessment 	VERY HIGH
DUE DILIGENCE (Finance Dimension)	<ul style="list-style-type: none"> This course will set out to NBC officers how to conduct a solid and reliable due diligence review of potential partners and proposals for decision-making before formal engagement is made 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> What is due diligence and why conduct one? Due diligence on partners/companies/individuals with whom the council is engaging with What is the framework of joint venture & partnership working? What could go wrong in joint ventures and partnership working if due diligence is not carried out effectively Adherence to NBC governance protocols. The general power of compliance and State Aid What should be the scope of the due diligence work and how to determine whether the right level of work has been done? How should financial due diligence be conducted and by whom? How can potential risks be identified and the appropriate action then taken How can the strengths and weaknesses of potential partners be assessed for suitability and strategic fit? The different frameworks for effective joint venture and partnership working Practical illustration using case studies and templates for your future use Use of checklists, incl.financial checklists Questions and answers 	Francis Fernandes	Yes		1/2 Day Seminar	<ul style="list-style-type: none"> Attendee feedback and evaluation Sponsor feedback and evaluation Internal/external assessment 	VERY HIGH

APPENDIX ONE - INDICATIVE SCHEDULE OF LICENCE TO PRACTICE LEARNING MODULES AS AT 08.05.17

MODULE	DESCRIPTION	DELEGATES/ ATTENDEES	LEARNING OBJECTIVES	SPONSOR	EXAM/ TESTING	FACILITATOR/ SME	DELIVERY METHOD	COURSE EVALUATION METHOD	PRIORITY
CODE OF GOVERNANCE & WHISTLEBLOWING	<ul style="list-style-type: none"> Outlines the framework of corporate governance at NBC, including the related statutory duties, behaviours, values and processes which NBC as a local authority and its officers are expected to uphold and adhere to in the performance of their duties Sets out NBC's arrangements for Whistleblowing further to the Public Disclosure Act 1998 and specifically:- What is whistleblowing How to report a serious concern at work Why do we need a whistleblowing policy <ul style="list-style-type: none"> Who is covered by the policy What is covered by the policy Confidentiality Support for officers raising a concern and others affected by the raising of a concern Safeguards against harassment or victimisation 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> Overall and principally to give NBC senior officers an understanding and awareness to drive an effective governance framework in which to work and also which they are expected to uphold, with specific reference to the 2016 CIPFA/SOLACE Delivering Good Governance in Local Government Framework With specific regard to whistleblowing: <ul style="list-style-type: none"> Officers feel confident and encouraged through Whistleblowing in raising any serious genuine concerns Officers are aware of the Whistleblowing avenues to be taken to raise any concerns and also to receive feedback on any action taken; Officers are encouraged to raise serious concerns within the Council rather than overlooking a problem or taking it outside of the organisation. Officers feel reassured in the strongest of terms that they will be protected from possible reprisals or victimisation. Officers are aware of how to pursue concerns if they are not satisfied with the Whistleblowing action taken 	Francis Fernandes	Yes	CIPFA	Managers' Session	<ul style="list-style-type: none"> Attendee feedback and evaluation Sponsor feedback and evaluation Internal/external assessment 	VERY HIGH
MAJOR PROJECT & PROGRAMME MANAGEMENT	<ul style="list-style-type: none"> Designed to give NBC officers an understanding of skills necessary to deliver major projects in the public sector and to build and develop major project management skill-sets in officers, including leadership, technical and commercial skill-sets appropriate to a major project environment 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> Understand what it means to be a Major Project Leader where the role is positioned as being the CEO of a temporary organisation and the implications that arise from this for individuals, their teams and the Major Project organisation. Develop the necessary technical understanding of major projects by looking at the conventional approaches to project and programme management and reassessing and examining their applicability to the Major Project environment. This will include developing an understanding of organisation design theory and practice To build the commercial awareness of major project leaders 	Steven Hing	Yes	Stephen Hing	1/2 Day Seminar	<ul style="list-style-type: none"> Attendee feedback and evaluation Sponsor feedback and evaluation Internal/external assessment 	HIGH
COMPETITIVE TENDERING	<ul style="list-style-type: none"> Gives officers a thorough understanding of the EU Directive (2014) and the UK Regulations (2015) and how to comply with the Regulations and gain advantage from them in the context of significant and material competitive tendering exercises entered into by local authorities 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> Understanding and complying with the changes required under the new Public Contracts Regulations 2015 Understanding and complying with the New OJEU Proforma Implementing the new selection and award process further to the Public Contracts Regulations 2015 and covering:- <ul style="list-style-type: none"> Writing a tender specification & producing the Invitation to tender (ITT) Exclusions Competitive tender evaluation and award Completion of a Tender Checklist The nature of competitive dialogue in tenders Effective post-tender contract management covering:- <ul style="list-style-type: none"> Building relationships with your suppliers Delivering outcomes for your service and service-users Achieving efficiency savings 	Francis Fernandes	Yes	TBC	1/2 Day Seminar	<ul style="list-style-type: none"> Attendee feedback and evaluation Sponsor feedback and evaluation Internal/external assessment 	RED
DECLARATION OF INTERESTS (LEGAL LEAD)	<ul style="list-style-type: none"> Sets out clearly the individual's responsibility and duty of officers to declare any interests that could give rise to a real or perceived conflict of interest between their duties to the Council and to any outside interest they may hold and to take action to avoid this affecting the Council's business and how others perceive this 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> What is an interest Why do interests need to be declared Standards of conduct in the public sector The Nolan Committee and the 7 principles of public life What interests should be declared by you What do I do if I have an interest Identifying a conflict of interest The interests relating to family and friends Financial and non-financial interests Actual and perceived interests Consequences of not making a proper declaration When to make a declaration How to complete the Council's Declaration of Interest Form Your NBC responsibilities 	Francis Fernandes	Yes	External organisation - Standards Board - contact Paul Hoey/ Marianne McCarthy - TBC need to ensure individuals are good trainers	Managers' Session	<ul style="list-style-type: none"> Attendee feedback and evaluation Sponsor feedback and evaluation Internal/external assessment 	RED

APPENDIX ONE - INDICATIVE SCHEDULE OF LICENCE TO PRACTICE LEARNING MODULES AS AT 08.05.17

MODULE	DESCRIPTION	DELEGATES/ ATTENDEES	LEARNING OBJECTIVES	SPONSOR	EXAM/ TESTING	FACILITATOR/ SME	DELIVERY METHOD	COURSE EVALUATION METHOD	PRIORITY
FIDUCIARY DUTIES - LEGAL LEAD	<ul style="list-style-type: none"> • Outlines the legal requirement of all NBC staff to exercise the highest standards of trust and care in acting on behalf of NBC, particularly in regard to the stewardship of LBC finances and assets that may be placed under his/her control • Outlines the legal requirement to act only in the interests of NBC and not to seek to profit personally financially or otherwise from any transaction entered into by the Council 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> • To instil awareness and understanding in all NBC staff of the binding legal requirement to conduct and regulate the affairs of the Council in a business-like manner and specifically at all times to:- <ul style="list-style-type: none"> • Exercise prudent use of NBC resources • Have due and alert regard to the interest of CT and NNDR rate payers • Have awareness of the financial consequences of any proposal by NBC as it affects CT and NNDR rate payers • Exercise financial prudence in both the short and long term • Exercise reasonable care, skill and caution in relation to their responsibilities • Strike a fair balance between the interests of CT and NNDR payers and the community's interest in adequate and efficient services • Act in good faith in exercising statutory powers with a view at all times to complying with statutory duties 	Francis Fernandes	Yes	Both Legal & Finance input	Management Board Session	<ul style="list-style-type: none"> • Attendee feedback and evaluation • Sponsor feedback and evaluation • Internal/external assessment 	RED
RECORDING DECISIONS & MAINTENANCE OF RECORDS & DELEGATED DECISION-MAKING	<ul style="list-style-type: none"> • Explains the important need for NBC officers to properly record and document the decisions they make on behalf of the Council and outlines the importance of managing records for local government accountability and the value of seeing records as a strategic resource • Sets out the powers delegated to officers to make decisions on behalf of the Council and how these decisions are documented and recorded. 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> When you have completed this module, you will be able to <ul style="list-style-type: none"> * Explain the purpose and need for proper records management * Understand why adequate supporting documentation should be maintained * Understand the Written Scheme of Delegation * Understand decisions delegated to the:- <ul style="list-style-type: none"> *The Chief Executive *The Strategic Management Team *Individual Directors *Heads of Service *Service-managers * Understand general and specific and variations to delegations * Outline the key activities in recording decisions and maintaining records * Outline the main methods of recording decisions and maintaining records * Explain and apply the concept of an audit trail in recording decisions * Understand the importance of managing records in local government accountability * Identify the internal and external stakeholders in records management * Understand the steps in developing an integrated records 	Francis Fernandes	Yes	Democratic Services/ Marianne McCarthy	1/2 Day Seminar	<ul style="list-style-type: none"> • Attendee feedback and evaluation • Sponsor feedback and evaluation • Internal/external assessment 	RED
GENERAL DATA PROTECTION REGULATIONS (Incl. Data Protection Act 1998)	<ul style="list-style-type: none"> • Overview of EU legislation and the UK Data Protection Act 1998 and explanation of how these apply in every day terms to officers at NBC 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> • Understanding NBC responsibilities under recent EU legislation (General Data Protection Regulations) • Understanding of the terms used in legislation • What the eight data protection principles mean in practice. • Identifying the exemptions under the legislation and when disclosures can be made. • Understanding the wider legal aspects of data protection • Provision of advice on the legal considerations in data collection, receipt and storage. 	Francis Fernandes	Yes	David Taylor	30 min Managers' Session	<ul style="list-style-type: none"> • Attendee feedback and evaluation • Sponsor feedback and evaluation • Internal/external assessment 	RED
OVERVIEW OF FINANCE & BUDGET MANAGEMENT	<ul style="list-style-type: none"> • Overview of the NBC finance function including the key areas of financial and budget management and the challenge of closing NBC's £6M medium-term budget deficit 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> • To build officer skill-sets and competencies in financial management and specifically in the following areas:- <ul style="list-style-type: none"> Overview of local government finance • Understanding Financial Standing Orders • Ensuring you comply with Financial Standing Orders • How to purchase properly on Agresso • Recording expenditure commitments • The distinction between Capital and Revenue accounting • Budget-holder responsibilities • NBC Financial Rules and Regulations • Internal & External Audit • Management responsibility for internal control • Purchasing and procurement • Efficiencies • Closing the £6M NBC medium-term budget gap • Budget-setting and monitoring • Virement, supplementary estimates and reserves • Capital appraisal schemes • Final accounts 	Glenn Hammons	Yes	Paul Hymers	1/2 Day Seminar	<ul style="list-style-type: none"> • Attendee feedback and evaluation • Sponsor feedback and evaluation • Internal/external assessment 	AMBER

APPENDIX ONE - INDICATIVE SCHEDULE OF LICENCE TO PRACTICE LEARNING MODULES AS AT 08.05.17

MODULE	DESCRIPTION	DELEGATES/ ATTENDEES	LEARNING OBJECTIVES	SPONSOR	EXAM/ TESTING	FACILITATOR/ SME	DELIVERY METHOD	COURSE EVALUATION METHOD	PRIORITY
PRE-CABINET PROCESS, REPORT WRITING & EXEMPT AND CONFIDENTIAL INFORMATION	<ul style="list-style-type: none"> • Sets out the process leading up to how the Cabinet make decisions on behalf of the Council and the role of NBC officers in this process • Provides officers with the tools required to write in an appropriate style for council reporting • Explains the characteristics and features of confidential and exempt information 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service (those that reports to Hds of service & anyone who writes Cabinet reports)	<ul style="list-style-type: none"> • The cabinet report writing process (including EDN's and timelines) • And specifically learn how to write effective: <ul style="list-style-type: none"> *Cabinet reports *Incident reports *Option appraisals *Organisation design proposals • Understanding of the Constitution and the operation, function and powers of the Cabinet to make decisions and the decision-support role of NBC officers as part of this process with specific reference to:- <ul style="list-style-type: none"> * Notice of Intention to Conduct Business in Private * Urgent procedures *The clearance system for reports * Key and non-key decisions * Exempt and Confidential Items * Scrutiny call-in powers * Right of press & public to attend meetings & access information * Post-decision publication of decisions taken • The 7 types of exempt information Use practical tools (incl. visuals, graphics and tables) 	David Kennedy/ Cathie Wright	Yes	Emma Povey/Sean McNamee/Cathie Wright	1/2 Day Seminar	<ul style="list-style-type: none"> • Attendee feedback and evaluation • Sponsor feedback and evaluation • Internal/external assessment 	AMBER
ENTERPRISE & COMMERCIALISATION	<ul style="list-style-type: none"> • Designed to give officers an opportunity to understand how the commercial drivers for NBC now demand a far greater understanding and focus on the customer than has previously been necessary 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> • Understanding the concept of a public service in a commercial environment • Understanding the markets the public sector operates in, the customers it serves and the nature of its competitive advantages • Understanding local government trading powers – what can and can not be done to trade, earn income and expand our business • Contract Management • Applying an entrepreneurial but systematic approach to identifying and exploiting realistic commercial opportunities • Knowing what the competition looks like and how they view you • How to maximise the return on different service delivery models whilst at the same time minimising the business risks • Workforce implications – equipping and enabling a dynamic and responsive workforce and capacity to deliver 	Glenn Hammons/Paul Hymers	Yes	CIPFA /OTHER COMPANIES	1/2 Day Seminar	<ul style="list-style-type: none"> • Attendee feedback and evaluation • Sponsor feedback and evaluation • Internal/external assessment 	AMBER
CREDIT RISK	<ul style="list-style-type: none"> • Enables participants to understand in common-sense terms the key concepts of credit risk from the perspective of the lender or the borrower of funds and how this risk can be effectively managed and reduced 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> • The role of the UK Municipal Bonds Agency & PWLB • Property and investment risk • Analyse the levels of credit risk given the counterparties to which an organisation may be exposed to • Spot and avoid bad credit risk counterparties • Understand the concept and challenges facing credit risk management • What you need to do to effectively deal with the challenges • How to define the probability of a default in a counterparty • Definitions of default, failure to pay and other events • The definition and the use of credit ratings • How to use basic measures of risk like value-at-risk (VAR) 	Francis Fernandes	Yes (Approx. 10 Questions)	TBC - Brown Jacobson though knowledgeable may not be good trainers	1 hr Management Board Presentation (incl.Hds of Service)	<ul style="list-style-type: none"> • Attendee feedback and evaluation • Sponsor feedback and evaluation • Internal/external assessment 	AMBER
CORPORATE VISION, MISSION, PLANNING & OBJECTIVE SETTING	<ul style="list-style-type: none"> • Overview of the key features and processes involved in NBC's corporate vision, mission statement, planning and objective setting processes 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> • The "Vision Thing" • Where are we/where do we want to go /how do we get there • Undertaking an internal and external appraisal • Making strategic choices (suitability/feasibility/acceptability) • Stakeholders • Articulating organisational mission • Organisational culture and values • Identifying goals and priorities • Setting strategic objectives • Making objectives SMART • PIs and KPIs • Monitoring and measuring progress against objectives • Post-implementation review and lessons learned 	David Kennedy	Yes	TBC	1/2 Day Seminar	<ul style="list-style-type: none"> • Attendee feedback and evaluation • Sponsor feedback and evaluation • Internal/external assessment 	AMBER

APPENDIX ONE - INDICATIVE SCHEDULE OF LICENCE TO PRACTICE LEARNING MODULES AS AT 08.05.17

MODULE	DESCRIPTION	DELEGATES/ ATTENDEES	LEARNING OBJECTIVES	SPONSOR	EXAM/ TESTING	FACILITATOR/ SME	DELIVERY METHOD	COURSE EVALUATION METHOD	PRIORITY
EQUALITIES & HUMAN RIGHTS & THE EMPLOYEE CODE OF CONDUCT - LEGAL LEAD	<ul style="list-style-type: none"> • Outlines the framework of ethical values, behaviours and conduct which employees NBC are expected to uphold in the performance of their duties. • Builds officer understanding of the Equality Act 2010 and the Public Sector Equality General and Specific Duties required of local authorities • Identifies and captures good practice and also the expectations of NBC with regards to equality, diversity and inclusion. 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> • Understanding of NBC's general and specific public sector equality duties (PSED) • When and how to complete an EIA & CIA • Identification of the nine protected characteristics and seven types of discrimination • Knowledge and understanding to manage employees and others to promote equality, discrimination and foster good relationships in diverse groups • To provide clear guidance to all employees of NBC on:- <ul style="list-style-type: none"> * General standards of conduct and behaviour * The core values of the Council * Beneficial interests * The relationship of the Code of Conduct to the Disciplinary Code * Declaring financial and non-financial Interests <ul style="list-style-type: none"> * Sponsorship * Relationships & interests with applicants for employment * Relationships with colleagues, managers, councillors * Relationships with contractors, Press and the Public * Confidentiality to protect the Council's & clients' interests. * Care of money and property. 	Francis Fernandes	Yes	TBC	1/2 Day Seminar	<ul style="list-style-type: none"> • Attendee feedback and evaluation • Sponsor feedback and evaluation • Internal/external assessment 	AMBER
TRAIN THE TRAINER	<ul style="list-style-type: none"> • Designed to empower managers to assist and guide their team to their stated targets and beyond. Training, coaching and mentoring are all vital components in the make-up of a good organisation and this course defines a structure and delivery style to a training programme which is going to be effective. 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service, Service-Managers	<ul style="list-style-type: none"> • Characteristics of the effective trainer • The pitfalls of poor training delivery and how to avoid them • Effective communication • How to 'train' and not just 'tell' • What a robust training program looks like including needs analysis and evaluation. • Use of visual and interactive tools and other training aids 	Cathie Wright	Yes	TBC	1/2 Day Seminar	<ul style="list-style-type: none"> • Attendee feedback and evaluation • Sponsor feedback and evaluation • Internal/external assessment 	GREEN
PEOPLE & PERFORMANCE MANAGEMENT	<ul style="list-style-type: none"> • Designed for officers with the responsibility for managing and/or leading or influencing others, either directly or indirectly, and to develop your people skills to engage and motivate people to work with you towards your goals 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<p>Appreciate what skills are required for managing staff and then taking action to improve team-based delivery of your service by reference to:-</p> <ul style="list-style-type: none"> • Communication skills • Listening skills • Body language understanding • Confidence skills • Assertiveness • Negotiation skills • Influencing skills • Dealing with conflict • Resilience skills <p>Recruitment, Grievance and Disciplinary</p>	Cathie Wright	Yes	TBC	1/2 Day Seminar	<ul style="list-style-type: none"> • Attendee feedback and evaluation • Sponsor feedback and evaluation • Internal/external assessment 	GREEN
MEMBERS & OFFICERS	<ul style="list-style-type: none"> • Outlines the key features and dynamics of effective Member/Officer relations in local government 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> • Understanding of the principles behind effective member/officer relations • The importance of this relationship to the citizens they both serve • Distinguishing between the political role of members and the professional and impartial role of officers • Promoting a spirit of partnership between Members and officers to turn NBC core values and priorities into practical policies for implementation • The duty of officers (particularly statutory officers) to provide advice to Members • What to do when things go wrong. 	David Kennedy/ Francis Fernandes	Yes	FF Contact at Kettering Council	1/2 Day Seminar	<ul style="list-style-type: none"> • Attendee feedback and evaluation • Sponsor feedback and evaluation • Internal/external assessment 	GREEN

APPENDIX ONE - INDICATIVE SCHEDULE OF LICENCE TO PRACTICE LEARNING MODULES AS AT 08.05.17

MODULE	DESCRIPTION	DELEGATES/ ATTENDEES	LEARNING OBJECTIVES	SPONSOR	EXAM/ TESTING	FACILITATOR/ SME	DELIVERY METHOD	COURSE EVALUATION METHOD	PRIORITY
CORPORATE HEALTH AND SAFETY TRAINING - IOSH Managing Safely	<ul style="list-style-type: none"> Provides an overview of Managers' responsibilities for H&S 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> Managers may see health and safety as an add-on to their role, even an intrusion. This training will confirm the importance of being made accountable and responsible for themselves and their teams Definition and demystifying 'risk' and 'risk assessment'. Risk assessments and a simple scoring system are introduced, managers will conduct a series of risk assessments. Cuts down on risk and focuses on the best techniques to control key risks, and how to choose the right method. Raises awareness and demands of the law and how the legal system works, and introduces what is a health and system management system. Operational arrangements and issues are covered - to include entrances and exits, work traffic, fire, chemicals, electricity, physical and verbal abuse, bullying, stress, noise, housekeeping and the working environment. To determine why accidents should be investigated, why things go wrong, and how to carry out an investigation when they do. Importance of checking performance help improve health and safety. Development of basic performance indicators and understanding auditing and proactive and reactive measuring. Introduction to waste and pollution and shows leads to how organisations and individual managers can get involved in cutting down environmental impacts 	Julian WILKS	Yes	TBC	1/2 Day Seminar	<ul style="list-style-type: none"> Attendee feedback and evaluation Sponsor feedback and evaluation Internal/external assessment 	GREEN
INSURANCE	<ul style="list-style-type: none"> Introductory overview for non-insurance professionals of the basic principles of insurance as a means of managing public sector risks and covering the business and operating context of insurance, the main categories and types of insurance available to the public sector, insurance terminology and policy and cover structure 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> Fundamental risk and insurance principles How the insurance market operates The key insurance disciplines of underwriting and claims for the public sector Indemnities including for commercial buildings, professional and motor insurances Insurance providers to the public sector 	Francis Fernandes	Yes	TBC	1/2 Day Seminar		GREEN
BUSINESS CONTINUITY & EMERGENCY PLANNING	<ul style="list-style-type: none"> Provides an overview of NBC managers' responsibilities for business continuity and emergency planning 	Chief Officers, Directors, Statutory Officers, Divisional Directors, Hds of Service	<ul style="list-style-type: none"> To enable NBC managers to be aware of and to discharge their responsibilities in relation to business continuity and emergency planning and specifically in the following areas:- * Business Continuity basics * Business Impact Analysis * Developing Strategies and Plans * Testing and Exercising * Awareness of templates * Policies, procedures, codes of practice and guidelines in relation to emergency response and recovery * Multi-agency Plans * Roles and responsibilities NBC and partner organisations involved in response and recovery * The inter-relationships between different agencies during an incident 	Francis Fernandes	Yes	TBC	1/2 Day Seminar		GREEN

Appendices 1:

ISA260 Action Plan



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	ISA260 2015/16 Action Plan Progress
---------------------	--

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	27 June 2017
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred

1. Purpose

1.1 To inform Audit Committee of the progress against the recommendations raised as part of the External Auditor’s 2015/16 ISA260 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 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.

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. The table below is a summary of the progress against each of the recommendations:

KPMG recommendation area	Total actions	Completed as at March Audit Committee	Completed since March	Outstanding as at mid June
Retrospective orders	6	6	0	0
Internal Audit coverage and assurance	4	3	1	0
General IT controls	4	3	1	0
Controls/processes for issuing loans	6	4	1*	1
Audit working papers	5	4	1	0
Revaluation of council dwellings	3	2	0	1
Reconciliations	6	4	1	1
Accrual levels	1	0	1	0
Pensions data	1	1	0	0
Payroll data quality	2	2	0	0
Business rate appeal provision	3	1	2	0
Total	41	30	8	3

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

3.2.2 Since the audit committee in March 2017 a further 8 actions have been completed

- Final audit working paper requirements agreed with external auditors in March in preparation for closure of 2016/17 accounts
- System access audits have been undertaken by LGSS Internal Auditors on ICON cash receipting and IBS housing systems
- The action around project governance and approvals as reported to the March 2017 Audit Committee has been transferred to the governance action plan
- Payroll audit undertaken by PwC Internal Auditors since the transfer of the service back to NBC
- Revised de-minimus accruals limit increased to £5,000 and included as part of accounts closure processes
- Business rate appeal provision methodology and approach for NDR3 return documented as part of year end papers
- External review of business rate appeal provision calculations
- One action transferred to governance action plan

- 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 There is an outstanding action relating to controls and issues around processing and issuing of loans. A loans checklist has been developed by finance staff with input included from the council's bankers. Since the last audit committee the loans checklist has been further developed to incorporate comments by both sets of internal auditors against the draft version, and has been reviewed by the council's legal team during April/May. It has also been shared with the council's external auditors KPMG. A review of existing loans against the final checklist is currently being undertaken and is scheduled to be completed by the end of June.
- 3.2.5 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, but assets and finance staff are in the process of signing off the main report. The risk remains around vacancies in this area for the next valuation during 2017/18, and management are reviewing how this will be delivered.
- 3.2.6 The responsibility for payroll reconciliations has transferred to the council's in house function from January 2017. LGSS payroll and finance staff have been working with the new team to identify a number of non-material historical balances which need to be written off. The write offs will be included in the draft accounts for 2016/17.
- 3.2.7 Appendix 1 includes the detail and progress around all the action plans to address the external audit recommendations.

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.

**Chris Randall,
Strategic Finance Business Partner LGSS**

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	LGSS Strategic Finance Manager(s)	Finance will continue to train, liaise with and advise the necessary staff to ensure that retrospective orders continue to be reduced in future.	30th September 2016 and monthly thereafter	Finance business partners have been and continue to engage budget managers in providing information and challenging the numbers and level Reported monthly to management board. Month 6 monitoring shows the position is improving		Completed
	LGSS Finance Business Partner Team	Roll out mandatory training for all appropriate staff involved in order processing and authorising	30th November 2016 and monthly thereafter for new starters	All appropriate staff have been briefed as part of management meetings and individual budget meetings as to the requirement of raising orders in advance. The formal training will form part of the overall governance planning		Completed
37	LGSS Head of Business Systems	Explore system options to ensure accountability	30th November 2016	Automatic system report created to email on a weekly basis any staff raising retrospective orders to advise them that this is in contravention of financial regulations		Completed
	LGSS Strategic Finance Manager(s)	Dashboard report to be shared at DMT meetings.	Period 6 monitoring budget monitoring meetings during October 2016	Rolled out as part of period 6 monitoring process		Completed
	LGSS Exchequer Manager	Communicate to all suppliers that the council requires purchase orders to be sent prior to goods / services being delivered	30th November 2016	Communication drafted to suppliers, exchequer team sent out 1.12.16		Completed
	LGSS Exchequer Manager	Establish and implement a policy and related procedures to deal with emergency expenditure	31st December 2016	LGSS Exchequer Manager has produced an urgent payments protocol by 20.12.16. This was tested with a selection of appropriate NBC staff and published on the intranet in January 2017		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 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	Regular Joint meetings with LGSS and NBC Internal Audit providers and Strategic Finance Manager to be held in advance of each Audit Committee	30th November 2016	First meeting held 8.09.16, and areas for review agreed. Follow up meeting between LGSS Internal Audit and Chief Finance Officer. Regular joint meetings, scheduled on a quarterly basis starting 7th December 2016		Completed
	LGSS Strategic Finance Manager	Arrange bi-annual meetings between NBC finance, all internal audit providers and NBC external auditors	30th November 2016	Met with Internal Auditors and agreed best date in timetable to meet with external auditors. Meeting scheduled for 1st Feb 2017		Completed
38	LGSS Strategic Finance Manager	Review of Internal Audit Workplans to ensure that risks identified by the 2015/16 External Auditors are appropriately considered / reviewed	30th November 2016	Initial joint meeting reviewed risks identified by External Auditors to discuss coverage within internal audit plans, amended IA plans still to be reviewed. Reports to next Internal Audit Committee on workplans following liaison. Review on 16.11.16 by Strategic Finance Manager and Group Accountant (closure) of Internal Audit plans presented to 14th November 2016 Audit Committee. Confirmed all key areas covered where appropriate, except for asset valuations that will be covered as part of the Interim External Audit.		Completed
	LGSS Strategic Finance Manager	All Internal Audit Providers to ensure regular attendance at Audit Committee to approve and monitor Audit Plans and issues	31st October 2016 and ongoing	Internal Audit providers advised of the requirement for regular monitoring reports for Audit Committee with reports on 14th November Committee		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.	LGSS Audit and Risk Manager (NBC)	IT – LGSS systems access these need reviewing by LGSS internal audit with in an depth review of the IBS and ICON systems in particular	31st January 2017 31st March 2017	Workplan report by LGSS Internal Audit includes this, with the work timetabled for December / January. Work has commenced on this review and was finalised during late March / early April on the ICON and IBS systems. Draft LGSS internal audit reports were issued in early April to management responsible for both systems, which identified no issues and that improvements had been made, but also made a couple of further recommendations on improvements.		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
	LGSS Audit and Risk Manager (NBC)	Both LGSS internal audit and PwC internal audit to consider systems access in general, and advise NBC CFO on what they suggest is a priority for review / testing during 2016/17.	31st October 2016	14th November Audit Committee - LGSS Internal Audit planned audit work report identifies areas to be undertaken		Completed
	LGSS Business Systems Manager	IBS Housing System - the need for timely leaver forms to be completed and distributed to relevant departments needs to be cascaded to departments	31st August 2016	This requirement has been cascaded to relevant areas by the officer undertaking system administration		Completed
	LGSS Exchequer Team Leader	ICON System - the ICON system administrator to ensure a regular review and disablement of users who have left roles requiring access to the ICON system	31st August 2016	A review of HR leavers information has been incorporated into the monthly processes of the LGSS exchequer manager responsible for ICON system administration		Completed
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. The initial draft was created with input from the Council bankers and following incorporation in early April of internal auditor comments where appropriate, the internal legal section have also reviewed the checklist during May. Finance staff are now progressing the assessment of existing loans against the checklist to be completed by the end of June. 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.		Outstanding
	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

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / 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
	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
40						
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.	LGSS Strategic Finance Manager	NBC and KPMG post final accounts debrief and action planning meeting (also a joint debrief with LGSS integrated closedown team)	31st October 2016	Debrief sessions arranged between LGSS finance and KPMG for 19th and 21st October 2016		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
	LGSS Group Accountant (Integrated Closedown Team)	Implement any agreed actions resulting from debrief meeting	31st December 2016	KPMG have provided the draft 2016/17 PBC (Audit Working Paper Requirements) on 2nd Dec 2016. These have been reviewed for the interim audit work and data analytics requirements, the final audit PBC requirements are to be reviewed as part of the year end timetable process.		Completed
	LGSS Strategic Finance Manager	Establish and implement key performance requirements for proposed phase 2 integrated closedown team, between expanded LGSS integrated closedown team and NBC finance team	31st December 2016 31st January 2017	The integrated team is now operational and the process for establishing the workload/requirements between the integrated and business partner teams has been finalised in relation to the Interim Audit PBC and is now working on the final audit timetable etc.		Completed
4.1	LGSS Group Accountant (Integrated Closedown Team)	Review 'Prepared by Client' list requirements with KPMG and agree key quality standards prior to commencement of interim audit	31st December 2016 28th February 2017	Draft PBC received on 2nd December and has been reviewed by Intergrated Team for Interim Audit requirements and revisions confirmed by KPMG on 21st December. The final audit part of the PBC will be cross referenced with the closure working papers during January and February. The final PBC was agreed between KPMG and the Integrated Closedown Team on the 7th March at the start of the Interim Audit with an agreed early review of some working papers prior to the commencement of the final audit to give quality assurance		Completed
	LGSS Group Accountant (Integrated Closedown Team)	Review internal LGSS quality control and assurance process for Statement of Account, WGA working papers by the finance team etc	31st December 2016	LGSS Group Accountant (Integrated Team) has reviewed the QA process and has identified more emphasis is needed on staff responsible for reviewing working papers and supporting evidence		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
42 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 are currently reviewing the final report to ensure appropriate sign-off prior to external audit of the draft accounts.		Outstanding
	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

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
	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
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	The ongoing reconciliations are now being undertaken monthly by the payroll team who have more complete knowledge to resolve unreconciled items, and make appropriate system corrections. LGSS Finance Partners have reviewed reconciliations done by LGSS payroll team up to December 2016, and 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 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.		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

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	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
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
<p>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.</p>	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

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 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	Review findings.	31st August 2016	Management have reviewed the findings and whilst there are no significant issues, processes have already been updated during 2015/16 to address issues around national insurance numbers		Completed
as above 45	LGSS Payroll Manager	Implement quarterly review of payroll data quality to ensure system information is maintained to an appropriate level of quality.	31st October and on going	Review undertaken and confirmed in December 2016 by Payroll Manager on NI numbers using the government gateway with reports also being reviewed on address info. The task will be passed to the new NBC payroll team from January 2017 as part of the handover		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	Ensure that a clear audit trail is maintained to evidence the methodology and approach undertaken to arrive at the appeals provision, and justify this in line with the code (this will form part of the working papers to produce the year end accounts)	30th April 2017	Finance and Revenues staff have been reviewing the appeals data during November/December 2016 to improve estimation methodology. 1st review was undertaken by the CFO during January 2017. Year end working papers updated to show comprehensive process for calculation and internal review before NDR3 return signed off during April. Working paper shared with KPMG during May.		Completed
	LGSS Strategic Finance Manager	Engage external support to provide validation of the authority's methodology and approach in estimating its appeals provision	31st December 2016 30th April 2017	Initial external advice has been sought to help inform the methodology of calculation, and following review by the CFO in January further specific external advice may be required. The year end calculations were shared with external advisors in April, and their comments considered when finalising the NDR appeals work.		Completed
	LGSS Strategic Finance Manager	Compare and contrast the approach to appeal provisions with other councils to inform best practice	31st December and ongoing	Discussions have taken place at the Northamptonshire Chief Finance Officer and Chief Accountant meetings. Councils in the County have shared their approaches which will be used to inform how NBC continues to develop its methodology in calculating the year end provision		Completed

46

ISA260 Management Action Plan Progress Tracker

KPMG recommendation	Assigned to	Agreed actions	Target Completion/Review Date	Progress to date	Delivery RAG	Status Outstanding / Completed
<i>On track for delivery, substantial progress already made</i>						
<i>On track for delivery, some progress made</i>						
<i>Concerns on delivery</i>						

**Appendices:
Corporate Risk
Register as at 30th
April 2017**



AUDIT COMMITTEE REPORT

Report Title	Corporate Risk Register Update
---------------------	---------------------------------------

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	27th June 2017
Policy Document:	Corporate Risk Register
Directorate:	Borough Secretary
Accountable Cabinet Member:	Cllr Eldred

1. Purpose

- 1.1 Further to the Committee's role in providing independent assurance to the Executive on the adequacy of the Council's arrangements and framework for risk management this report sets out the current update of the Council's corporate risk register.
- 1.2 The corporate risk register is an important strategic document which captures those risks that could potentially be a barrier, a constraint or a threat (or in equal and opposite terms alternatively a positive opportunity) to the achievement of the Council's strategic objectives which are its six deliverable Priorities outlined in the Corporate Plan
- 1.3 It is intended that the Committee will review, consider, and where appropriate, confirm, challenge and/or moderate the above risks identified as being the barriers to the achievement of the Council's strategic objectives

2. Recommendations

- 2.1 That the Committee review, comment, constructively challenge, and where appropriate, confirm or moderate the risks contained in the register to inform further work on the register's content, including the risks identified in it and the related risk exposures and mitigating actions.

3. Issues and Choices

3.1 Report Background

- 3.1.1 Risk management is a key priority for the Council and a key theme in the Governance Action Plan.
- 3.1.2 Critical to the development of better risk management is the development of a tighter culture of risk identification, assessment and mitigation at all levels of the Council, including at the corporate level, with proper and regular updates to assessments of potential risks.
- 3.1.3 This report documents the update of the corporate risk register during April 2017 and those captures risks identifiable at the corporate level of the Council and which should they impact would have a corporate-wide impact and effect.

3.2 Issues

- 3.2.1 14 risks are in total stated on the corporate risk register as at April 2017. Of these 64% are rated red, 22% amber and 14% green.
- 3.2.2 The most significant risk on the register is indicated to be the potential failure for the Council to deliver a balanced income and expenditure budget over the financial medium-term between 2018/2022.
- 3.2.3 Underlying this key financial risk exposure are a cluster of further red risks indicated as linked by a theme of a need to grow and develop organisational governance, particularly programme and project management governance, and also its organisational capacity, being in place at the Council which could further inhibit or prevent or frustrate the achievement of Northampton's corporate priorities.
- 3.2.4 These higher-level risks are both operational and reputational for the Council.
- 3.2.5 The Committee's attention is drawn to these and the other risks on the register and the related mitigating actions as detailed in the risk register.
- 3.2.6 No new and/or emergent risks have been identified in the period.
- 3.2.7 The Committee's attention is also drawn to Risk 14 inability to provide environmental services within cost and meeting customers' needs which has been closed due principally to the passage of time on out-sourced the contract in the run up to imminent re-tendering for this service.
- 3.2.8 It is intended the corporate risk register will be updated on a quarterly basis with FY 17/18 Q1 update available to the Committee at the next meeting.

4. Implications (including financial implications)

4.1 Policy

4.1 The update of the corporate risk register is a key aspect of procedures required by the Council's risk management policy which the Council is now in the process of reviewing and will report on the outcome of which to the Committee at the current meeting.

4.2 Resources and Risk

4.2.1 The additional capacity required to produce and maintain the corporate risk register has been agreed and put in place effective from May 2017 with the appointment of the Governance and Risk Manager. This has been through the normal decision-making processes and financial implications will be reported through the budget process.

4.3 Legal

4.3.1 The Council has various legal duties and obligations to ensure it facilitates the effective exercise of its functions and the achievement of its aims and objectives. The risks identified in the Corporate Risk Register and the related actions to mitigate them will directly address identified barriers to the achievement of the Council's corporate priorities and will also assist in enabling the Council to demonstrate that it is complying with its legal duties, including Statutory Instrument No 234: The Accounts and Audit Regulations 2015.

4.4 Equality

4.4.1 There are no equalities implications to this report.

4.5 Consultees (Internal and External)

4.5.1 The Council's Management Board and its Corporate Governance and Support Officer Programme Board have been internally consulted to date on the update of corporate risk register attached.

4.5.2 There has been no external consultation to date.

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 The Risk Management Policy

**Governance & Risk Manager
Ext.7584**

CORPORATE RISKS 2016-17 AS AT 30 th APRIL 2017		RISK RATING
1.	Failure to deliver a balanced budget 2018/2022	20
2.	Fail to manage or fail to deliver or expose to new risks as result of poor project management practice	16
3.	There is non-compliance with fire and Health and Safety legislation	15
4.	Plans for improving the economic prosperity and regeneration of Northampton are not delivered	12
5.	NBC fails to manage its partnerships (LGSS, NPH, NLT Amey)	12
6.	The Sixfields investigation may damage NBC's reputation and affect public and investor confidence	12
7.	Impropriety or improper business activities leading to fraudulent activity or malpractice	12
8.	Significant decisions made at Council and Cabinet level are not sufficiently robust to withstand legal challenge.	12
9.	Lack of organisational resilience (People)	12
10.	Inability of IT to service future requirements/and or loss of IT due to failure or cyber-attack	10
11.	Safeguarding arrangements are not adequate to protect or address concerns of vulnerable adults and children.	9
12.	Legal obligations under the Data Protection Act 1998 (and also the superseding GDPR EU Regulations in 2018) are breached	8
13.	Major or large scale incident (accident, natural hazard, riot or act of terrorism) business interruption occurs	4
14.	Inability to provide environmental services within cost and meeting customers' needs (closed risk)	4

IMPACT

IMPACT 5 Catastrophic 4 Major 3 Moderate 2 Minor 1 Insignificant		10	3	1	
	13, 14	12	4, 5, 6, 7, 8	2	
			11	9	
LIKELIHOOD	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain

CORPORATE PRIORITIES	
CP1 NORTHAMPTON ALIVE	A Vibrant Successful Town For Now And In The Future
CP2 SAFER COMMUNITIES	Making You Feel Safe and Secure
CP3 HOUSING FOR EVERYONE	Helping Those That Need It To Have A Safe And Secure Home
CP4 PROTECTING OUR ENVIRONMENT	A Clean And Attractive Town For Residents & Visitors
CP5 LOVE NORTHAMPTON	Enhancing Leisure Activities For Local People & Encouraging Participation
CP6 WORKING HARD & SPENDING YOUR MONEY WISELY	Delivering Quality Modern Services

APPENDIX ONE - NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT APRIL 2017

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage The Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Residual Risk Rating	Risk Owner	Update & Date
							Q3	Q4				
1	CP1 CP2 CP3 CP4 CP5 CP6	Failure to deliver a balanced budget 2016/2020	<ul style="list-style-type: none"> ▪ Council unable to deliver sufficient savings to balance budget ▪ Major projects don't deliver planned benefits ▪ Complacency in the organisation ▪ Increased organisational change and complexity ▪ Changes in govt. funding particularly NNDR 	<ul style="list-style-type: none"> • Inability to set a legal budget • Depleted Reserves • Need to realise capital receipts • Inability to deliver services to meet customer need/demand 	25	<ul style="list-style-type: none"> • Review reserves strategically • Robust monitoring of budgets by services and taking early remedial action where issues identified. • Management Board action to limit spending where appropriate and communicate to staff on spending restrictions • 17/18 budget set (incorporating £1.8 savings) to bring down budget gap • Efficiency & MT Finance Board set up and tasked to balance financial position • Quarterly financial reporting to Cabinet • Regular financial reporting to the Efficiency & MT Finance Board, Management Board and Executive Programme Board • Weekly meeting with Finance PH • Regular monthly financial monitoring (incl. projections) • First roll-out of financial training to relevant staff (Overview of Finance & Budget-Management) • Finance Away Days for Boards and HoS) 		20	<ul style="list-style-type: none"> • Options appraisal to close budget gap (Sept 17-March 18) • Proposal for the monthly financial reporting to Cabinet to incorporate a much wider reporting remit across the Council (June 17) • Continuation of the roll-out of financial training seminars to relevant staff on sound financial management and also incorporating an emphasis on commercialisation skill-sets (On-going) 	10	Glenn Hammonds	Continuing reductions in government funding both previous and planned to 2020 and also the increasing cost of services (particularly environmental services) maintain this risk at a red level in our financial position at this time.
2	CP1 CP2 CP3 CP4 CP5 CP6	Fail to manage or fail to deliver or expose to new risks as result of poor project management practice	<ul style="list-style-type: none"> ▪ Lack of a clearly-defined project management governance structure ▪ Inadequate checks and balances ▪ Inadequate project documentation - business case in particular 	<ul style="list-style-type: none"> • Wrong decisions made on an unviable business case • Continual review of the project – stopping the continuation on unviable project • Reputation • Financial costs • Pressure on resources • Pay back on investment funds if not delivering 	20	<ul style="list-style-type: none"> • Appt. of new and experienced Director of Regeneration • Review of project documentation and gateway review process • More frequent review of business cases throughout project lifecycle • More robust governance processes (as per above risk on governance) 		16	<ul style="list-style-type: none"> • Continue to develop and install more robust governance processes (On-going) • Director-led reviews of project structure, processes and efficacy (On-going) 	4	Francis Fernandes	Risk remains current at this time

APPENDIX ONE - NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT APRIL 2017

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Residual Risk Rating	Risk Owner	Update & Date
							Q3	Q4				
3	CP1 CP2 CP3 CP4 CP5 CP6	There is non-compliance with fire and Health and Safety legislation.	<ul style="list-style-type: none"> ▪ Lack of a clear strategy ▪ Managers not understanding their accountabilities for H&S ▪ Staff error ▪ Legislation not adequately adhered to/implemented ▪ Processes not followed 	<ul style="list-style-type: none"> • Continuing lack of a clear strategy /strategic direction • Death or injury to public or staff • Criminal prosecution or civil litigation • Service stopped • Loss of public trust • Action by H & S executive or Northants Fire and Rescue • Fines to organisation • Corporate manslaughter charges • Insurance claims • Financial loss 	20	<ul style="list-style-type: none"> • Established People Support Team (HR & Health & Safety) • Corporate Health & Safety Group set up and in place • Upskilling of managers in terms of H&S responsibilities • Audit & Inspection Framework in place • H&S Matrix in place cross-referencing role profiles to required H&S training • Review of H&S policies and procedures and refreshed where appropriate • Refresher staff comms and training 		15	<ul style="list-style-type: none"> • Working to implement Action Plan arising from the H&S review (June 17) • Working towards achieving Workplace Wellbeing Charter (Dec 17) 	10	Francis Fernandes	As at April 17 we are working on raising every individual's awareness and responsibility for ensuring a safe place to work with the Transformation Team focusing on employee wellbeing. Nevertheless despite these factors this risk still remains red at this point in time.
4	CP1 CP2 CP3 CP4 CP5	The plans for improving the economic prosperity and regeneration of Northampton are not delivered.	<ul style="list-style-type: none"> ▪ Projects running late either being taken forward or late in delivery ▪ Our projections on economic benefits are not realized ▪ Market shifts due to competition from other enterprise zones and destinations ▪ Potential Brexit impact ▪ Political uncertainties 	<ul style="list-style-type: none"> ▪ Investors not investing in the town or pulling out of partnership arrangements ▪ Jeopardising current and future Northampton Alive projects ▪ Damage to the Northampton brand as a place of choice 	16	<ul style="list-style-type: none"> • New Director of Regeneration appointed with wide-ranging experience of projects, programmes and successful delivery • Regular reporting to Cabinet • Regular dialogue and reporting to PH • Lessons-learned reviews being held 		12	<ul style="list-style-type: none"> • Plans being developed in terms of QA and process and service capability in structure (Sept 17) • Carrying out a strategic review of programmes and projects to prioritise in accordance with benefit (Sept 17) • Strategic review of Northampton as a Place to identify socio-economic priorities (April 18) 	8	Stephen Hing	Stephen Hing We are at an early point in the regeneration and as such this risk can only be mitigated in full over the period of strategy

APPENDIX ONE - NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT APRIL 2017

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Residual Risk Rating	Risk Owner	Update & Date
							Q3	Q4				
5	CP1 CP2 CP3 CP4 CP5 CP6	NBC fails to manage its partnerships with: <ul style="list-style-type: none"> • LGSS • NPH • NLT • NCC • Amey 	<ul style="list-style-type: none"> ▪ Poor governance ▪ Lack of contract monitoring ▪ Lack of quality control 	<ul style="list-style-type: none"> • Services not delivered to quality, time and cost • Failure in fulfilling legal responsibilities • Hindering the achievement of the councils objectives • Negative impact to customers and stakeholders 	12	<ul style="list-style-type: none"> • Implement robust contract monitoring and quality control • Taking remedial action where required e.g. HR and Payroll coming back in-house 		12	<ul style="list-style-type: none"> • Review of management support contract (June 18) • Member/Cabinet briefings to be explored (Sept 17) 	8	Francis Fernandes	Risk remains current at this time as we progress our actions and mitigations
6	CP1 CP2 CP3 CP4 CP5 CP6	The Sixfields investigation may damage NBC's reputation and affect public and investor confidence in the organisation	<ul style="list-style-type: none"> ▪ Inadequate governance ▪ Inadequate checks and balances ▪ Inadequate record keeping ▪ Lack of a clearly-defined project management governance structure 	<ul style="list-style-type: none"> • Lack of confidence in NBC to deliver major projects and services • Lack of confidence from potential future investors and partners • Loss of £10m • High recovery costs • Legal implications 	20	<ul style="list-style-type: none"> • Project management and governance - project manager in post • Robust procurement process with robust specification and quality control mechanisms • Licence to Practice to focus on addressing identified weaknesses • Governance Action Plan in place • Use of external experts to advise/support the Council • Implementation of PWC report recommendations 		12	<ul style="list-style-type: none"> • Project Board and two investigations ongoing with PWC and Audit Committee (On-going) • Implementation of the Governance Action Plan (On-going) 	8	Francis Fernandes	As the investigations are not fully complete this risk remains red at this time.
7	CP1 CP2 CP3 CP4 CP5 CP6	Impropriety or improper business activities leading to fraudulent activity or malpractice	<ul style="list-style-type: none"> ▪ LGSS services returning - HR and Payroll - shifting accountabilities ▪ Lack of robust governance, procedure or process 	<ul style="list-style-type: none"> • Avoidable financial loss • Criminal prosecution • Civil litigation • Fines • Lack of confidence from staff or public • Reputational damage • Member criticism 	15	<ul style="list-style-type: none"> • Section 151 controls • Delegated authorities • Fraud register - review and refresh • Governance Action Plan in place • Review of policy and procedure • Review LGSS Finance SLA and process 		12	<ul style="list-style-type: none"> • To be managed as part of project management of LGSS services coming back in-house (On-going) • Implementation of the Governance Action Plan (June 17 & On-going) 	10	Francis Fernandes	The risk has declined from Rating 15 to Rating 12 as we continue to implement our controls but nevertheless still remains red in our view at this time.

APPENDIX ONE - NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT APRIL 2017

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Residual Risk Rating	Risk Owner	Update & Date
							Q3	Q4				
8	CP1 CP2 CP3 CP4 CP5 CP6	Significant decisions made at Council and Cabinet level are not sufficiently robust to withstand legal challenge.	<ul style="list-style-type: none"> ▪ Inadequate governance ▪ Inadequate checks and balances 	<ul style="list-style-type: none"> • Fines • Criminal prosecution • Civil litigation • Lack of confidence from staff or public • Court cases • Ombudsman reviews 	15	<ul style="list-style-type: none"> • Governance review cross-referencing with CIPFA Guide to good governance • Governance Action Plan formulated and in place 		12	<ul style="list-style-type: none"> • None at present 	10	Francis Fernandes	Risk remains current at this time
9	CP1 CP2 CP3 CP4 CP5 CP6 CS	Lack of organisational resilience (People)	<ul style="list-style-type: none"> ▪ Organisation struggles to recruit ▪ No staff training and development in place ▪ Limited knowledge transfer across the organisation ▪ No succession management process in place ▪ High volume of employee relations (ER) issues ▪ Non-optimum working relationship with trade unions ▪ Lack of HR strategic profile in the organisation ▪ Budgetary constraints ▪ Multiple HR single points of failure 	<ul style="list-style-type: none"> ▪ Key roles remain vacant ▪ Managers may not know how to manage people in related workplace situations ▪ Increased tribunal and/or settlement costs ▪ Reputational downgrading as an employer ▪ Top Talent leaves ▪ On-going lack of capacity ▪ Lack of permanent leadership to drive strategy ▪ Depression of staff morale 	20	<ul style="list-style-type: none"> • Established People Support Team (HR & Health & Safety) • Proactive approach to emergent ER issues • People Strategy (including recruitment and retention) in place • Skills audit/training • Regular reporting to Leader & Management Board • Succession plan • Transformation Team in place driving cultural change • Corporate Health & Safety Group set up and in place • Upskilling of managers in terms of H&S responsibilities 		12	<ul style="list-style-type: none"> • Upskilling of managers in terms of people responsibilities (April 17 & On-going) • Rolling leadership development programme (June 17) • Employment of Health & Safety Manager (May 17) 	9	Francis Fernandes	Risk remains red as at April 17 as we are facing continuing employee relations issues and are also struggling to recruit to key roles. These factors continue to be hindrances to driving cultural change at the Council.

APPENDIX ONE - NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT APRIL 2017

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage Risk (Key Controls)	Current Risk Rating Q3 Q4	Further Action & Implementation Date	Residual Risk Rating	Risk Owner	Update & Date
10	CP1 CP2 CP3 CP4 CP5 CP6	Inability of IT to service future requirements/and or loss of IT due to failure or cyber-attack	<ul style="list-style-type: none"> ▪ Poor governance ▪ Lack of contract monitoring ▪ Lack of quality control 	<ul style="list-style-type: none"> • Services not being delivered to customers • Business interruption • Inefficient business processes and technology not adequately exploited. 	15	<ul style="list-style-type: none"> • Review of current LGSS SLA with IT to see what can be improved and remedial action taken • IT policies and procedures reviewed and refreshed • Review of IT equipment and infrastructure • PSN Compliance achieved • Lessons-learned review implemented following ransomware attacks in 2016/17 	10	<ul style="list-style-type: none"> • ICT Future Options Review (Sept 17) • ICT Governance Meetings (On-going) • ICT Client Meetings to assess relationships and risks (On-going) 	10	Marion Goodwood	The impact of this risk still remains significant & probability is currently 2 (though this has been managed down from 3 over recent months) due to the events of previous attacks during 16/17 and the known intelligence on the likelihood of future attacks. These factors maintain the risk at an amber level at this time
11	CP2 CP3 CP4	Safeguarding arrangements are not adequate to protect or address concerns of vulnerable adults and children.	<ul style="list-style-type: none"> ▪ Staff lack of awareness of procedure or referral route 	<ul style="list-style-type: none"> • Children or vulnerable adults harmed or put at risk of harm • Criminal prosecution or civil litigation • Seriously damaging reputation or NBC 	20	<ul style="list-style-type: none"> • Procedures and referral routes reviewed and refreshed where necessary • Refreshed procedures and referral routes communicated • Designated Officer for Safeguarding as point of contact in place • Series of presentations on CSE, including with Members and staff, to build awareness • Increased joint working with County Council (Rise Team). other boroughs and districts, including with community safety. licencing and social landlords • Scrutiny Review of CSE in the Borough 	9	<ul style="list-style-type: none"> • Hotel Watch exercise to be rolled out in conjunction with the Rise Team (Dec 17) • Scrutiny Review to go to Cabinet (July 17) • Full implementation of recommendations arising from the above Cabinet report (March 18) 	9		Each year there are more vulnerable adults and children than the previous year. Rising front-door pressures, a background of reduced council funding maintain this risk at an amber level at the present time and into the future.

APPENDIX ONE - NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT APRIL 2017

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Residual Risk Rating	Risk Owner	Update & Date
							Q3	Q4				
12	CP1 CP2 CP3 CP4 CP5 CP6	Legal obligations under the Data Protection Act 1998 (and also the superseding GDPR EU Regulations in 2018) are breached and there is inappropriate access and/or disclosure, corruption or loss of data	<ul style="list-style-type: none"> ▪ Not implementing the new EU data protection legislation ▪ Lack of staff knowledge of policy and procedure ▪ Ineffective implementation of GDPR Regulation requirements 	<ul style="list-style-type: none"> • Data breaches • Prosecution • Fines • Lack of confidence and public trust • Reputational issues • Member criticism 	10	<ul style="list-style-type: none"> • Data sweeps • Data governance • Staff awareness • Campaigns/refresher online training 		8	<ul style="list-style-type: none"> • To be scheduled in as a project with focus to review policies, procedures and practice (May 2018) 	4	Francis Fernandes	Whilst project implementation plan and identification of further resources are occurring this risk still remains at an amber level at this time
13	CP1 CP2 CP3 CP4 CP5 CP6	Major or large scale incident (accident, natural hazard, riot or act of terrorism) business interruption affecting the council resources and its ability to deliver services Risk to safety of staff and loss of staff	<ul style="list-style-type: none"> ▪ Accident, natural hazard, riot or act of terrorism or other business interruption 	<ul style="list-style-type: none"> • Council not able to deliver front-line services • Risk of safety to staff and loss of staff • Customer needs not being met 	8	<ul style="list-style-type: none"> • Updated business continuity strategy and business continuity plans • Refreshed Critical Incident Plan • Emergency Planning Work-streams facilitated by Emergency Planning lead including town centre evacuation procedures 		4	<ul style="list-style-type: none"> • None at present 	4	Francis Fernandes	Risk remains current at this time

APPENDIX ONE - NORTHAMPTON BOROUGH COUNCIL CORPORATE RISK REGISTER UPDATE AS AT APRIL 2017

No	Corporate Priority	Risk Description	Risk Causes	Risk Consequences	Inherent Risk Rating	Key Measures in Place to Manage Risk (Key Controls)	Current Risk Rating		Further Action & Implementation Date	Residual Risk Rating	Risk Owner	Update & Date
							Q3	Q4				
14	CP4 CP6	Inability to provide environmental services within cost and meeting customers' needs (Closed Risk)	<ul style="list-style-type: none"> Contract not adequately meeting needs and within cost 	<ul style="list-style-type: none"> Not meeting statutory requirements Existing contractor is disgruntled and ceases delivering No contractor procured Higher contract costs 	20	<ul style="list-style-type: none"> Project management and governance - project manager in post Robust procurement process with robust specification and quality control mechanisms 		4	No further action planned	4	Julie Seddon	It is now very unlikely this risk will occur as the cost to the supplier of ceasing the service and exiting the contract would be greater than the cost of staying on to the contract end-date which is June 2018. I feel a low green risk rating is and that the risk can now actually be closed due principally to the passage of time on the contract.

RISK ASSESSMENT MATRIX KEY

NBC Risk Matrix						
Impact	5 <i>Catastrophic</i>	5	10	15	20	25
	4 <i>Major</i>	4	8	12	16	20
	3 <i>Moderate</i>	3	6	9	12	15
	2 <i>Minor</i>	2	4	6	8	10
	1 <i>Insignificant</i>	1	2	3	4	5
		1 <i>Rare</i>	2 <i>Unlikely</i>	3 <i>Possible</i>	4 <i>Likely</i>	5 <i>Almost certain</i>
		Probability				

CORPORATE PRIORITIES	
NORTHAMPTON ALIVE	A Vibrant Successful Town For Now And In The Future
SAFER COMMUNITIES	Making You Feel Safe and Secure
HOUSING FOR EVERYONE	Helping Those That Need It To Have A Safe And Secure Home
PROTECTING OUR ENVIRONMENT	A Clean And Attractive Town For Residents & Visitors
LOVE NORTHAMPTON	Enhancing Leisure Activities For Local People & Encouraging Participation
WORKING HARD AND SPENDING YOUR MONEY WISELY	Delivering Quality Modern Services

Impact	Criteria
Catastrophic Impact Exceptional benefit	Objectives could not be achieved, services could not be sustained, or major programmes/projects fail to deliver. Opportunity provides benefit substantially exceeding expectations.
Major impact Major Benefit	Serious impact on achievement of objectives & disruption to services and major programmes /projects. Council derives substantial benefit from opportunity
Moderate Impact Moderate Benefit	Moderate effect on achievement of objectives or delivery of services Moderate benefit arising from opportunity.
Minor Impact Minor Benefit	Relatively small effect on achievement of objectives or delivery of services Small benefit arising from opportunity.
Negligible impact Negligible Benefit	Trivial effect on achievement of objectives or delivery of services Virtually no benefit derived from opportunity.

Appendices

1 : KPMG Interim Report 2016/17



AUDIT COMMITTEE REPORT

Report Title	External Audit (KPMG) 2016/17 Interim Report
---------------------	---

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	27 th June 2017
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the external audit interim report relating to initial work carried out relating to the audit of the 2016/17 accounts.

2. Recommendations

2.1 It is recommended that the Audit Committee note the external audit interim report relating to the audit of the 2016/17 accounts.

3. Issues and Choices

3.1 Report Background

3.1.1 The external auditors KPMG start work prior to the end of the financial year on auditing the financial transactions and information that will feed into the 2016/17 statement of accounts. This includes reviewing progress against any external audit recommendations raised as part of previous audits.

3.1.2 The report raises one additional recommendation in relation to team resilience and the use of interim staff in the assets and finance area. These are both issues that the Council and its finance provider LGSS were aware of, and have made alternative arrangements whilst permanent solutions are taken forward.

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 auditors on anything contained in their report, and issues around the external 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



External Audit 2016/17 Interim Report

**Incorporating external audit
technical updates**

Northampton Borough Council

—

April 2017



Summary for Audit Committee

Financial statements: interim audit

This document summarises the progress we have made to date with our 2016/17 external audit at Northampton Borough Council ('the Authority'). Our controls and substantive work are completed over two tranches of fieldwork: our interim audit and our final accounts audit. We completed our on-site interim audit in March 2017 and our findings are summarised on pages 5-8.

Our interim audit also covered the understanding and testing of the Authority's key IT systems.

Based on our interim work, we have raised one recommendation. We will re-assess the status of these recommendations at our final accounts audit in July 2017. Details on our recommendations can be found on page 14.

Use of resources

We have also commenced work to consider whether in all significant respects the Authority has proper arrangements to ensure has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We had identified four significant value for money (VFM) risks which we have previously communicated to you. See further details on page 9.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

We ask the Audit Committee to note this interim report.

Contents

- 2** Summary for Audit Committee
- 4** Section one: Financial statements
- 9** Section two: Use of resources
- 14** Section three: Recommendations raised and follow-up
- 30** Section four: Technical developments

The key contacts in relation to our audit are:

Andrew Cardoza

Director

KPMG LLP (UK)

+44 121 232 3869

andrew.cardoza@kpmg.co.uk

Dan Hayward

Senior Manager

KPMG LLP (UK)

+44 121 232 3280

daniel.hayward@kpmg.co.uk

Joseph Seliong

Manager

KPMG LLP (UK)

+44 121 232 3920

joseph.seliong@kpmg.co.uk

Katie Scott

Assistant Manager

KPMG LLP (UK)

+44 121 232 3632

katie.scott@kpmg.co.uk

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointments' website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Cardoza, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7440 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

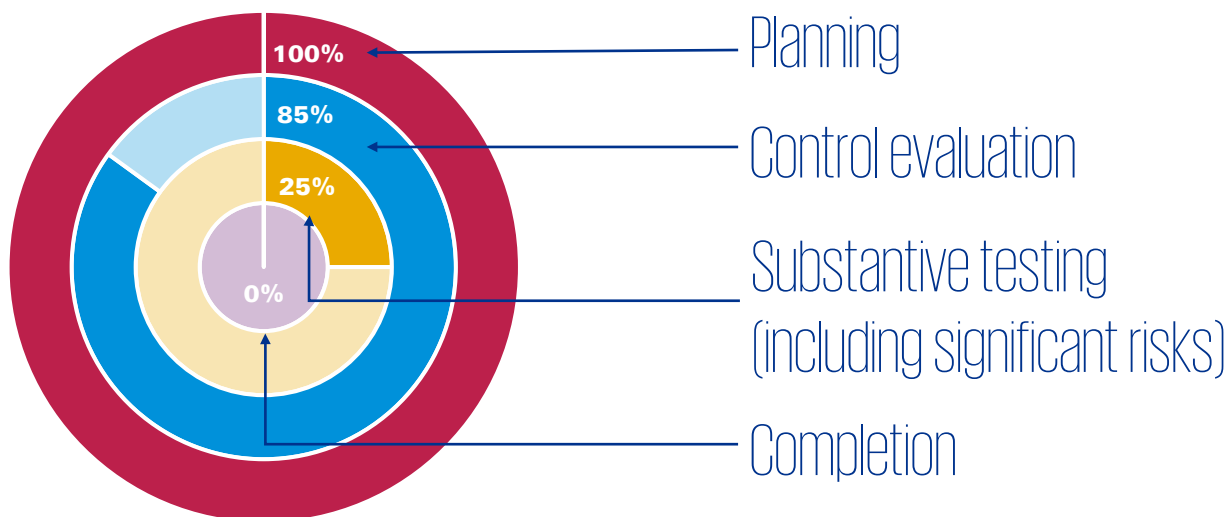


Section one

Financial statements

Financial statements

In our detailed *External Audit Plan 2016/17* presented to the Audit Committee we outlined the four stages of our audit process. The graphic below summarises the progress we have made in terms of the four key aspects of our work.



Planning and control evaluation

We summarise below the key tasks which we have performed to complete the first two stages of our accounts audit.

Business understanding	<ul style="list-style-type: none"> – In our <i>External Audit Plan 2016/17</i>, we assessed your current operations to identify significant issues that might have a financial consequence. – We have provided an update on the key accounts audit issues on page 6.
Assessment of the control framework	<ul style="list-style-type: none"> – We conducted our on-site interim audit during the week commencing 6 March 2017 and have continued regular dialogue with the Integrated Closedown team and the Finance team as they have continued to undertake work to address our significant risks. We have assessed the effectiveness of your key financial system controls in place that prevent and detect fraud and error. – We had planned to perform control work over journals however the reconciliation of the journal listing to the general ledger was not provided to us for the interim audit and we therefore agreed with the Authority that this work would be delayed until final audit when the reconciliation could be provided. – We have given due regard to the work of both LGSS Internal Audit and PwC and recognise that your internal auditors have provided substantial assurance over your creditors and payments, and income and debtors systems.
Prepared by client request	<ul style="list-style-type: none"> – We produce this document to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements of the Authority. – Prior to finalising this request, the audit team met with members of the Integrated Closedown team to ensure all queries were understood. Deadlines were agreed to ensure a smooth process.
Accounts production	<ul style="list-style-type: none"> – We have discussed the Integrated Closedown team’s plans for the preparation of the annual accounts ahead of required submission by 30 June 2017. A key member of staff has recently left the team which exposes the Authority to the risk that this will impact its closedown procedures. We understand an interim replacement has recently been recruited.

Financial statements (cont.)

We have performed work in relation to the significant audit opinion risks identified during our planning phase. Our *External Audit Plan 2016/17* sets our proposed procedures, and we have summarised our work to date:

Significant audit opinion risks	Our work to date
Valuation of Council Dwellings	<ul style="list-style-type: none"> <li data-bbox="362 602 1338 685">— In December 2016, we agreed with the Authority that we would bring forward elements of our year-end audit in order to streamline the final audit in July. Key to this was our early review of the 1 April 2016 valuation. <li data-bbox="362 706 1338 934">— In January 2017, we met with Council Officers to discuss arrangements for the external audit. We were informed that there was a higher-than-expected increase in the valuation of council dwellings. In response to this, the Authority commissioned an external firm to review its Beacon properties in order to assess appropriateness. The Authority has acknowledged concerns with the capacity of its Estates team. The Interim Head of Estates has left the Authority in addition to other interim valuers within the team. The engagement of the external valuation firm was intended to address this concern. <li data-bbox="362 955 1338 1280">— The audit team received a preliminary version of the valuation exercise early March 2017. We challenged the results of this as: <ul style="list-style-type: none"> <li data-bbox="468 1027 1338 1079">— we were not able to review instructions provided to the valuer nor assess if the review was carried out in line with the instructions provided; <li data-bbox="468 1100 1338 1152">— the valuation output did not set out the assumptions used by the valuer in forming its opinion; <li data-bbox="468 1172 1338 1280">— there was no confirmation from the valuer that the Beacon review had been carried out in line applicable guidance specific to council dwellings, such as the DCLG's Stock Valuation for Resource Accounting (updated November 2016). <li data-bbox="362 1301 1338 1498">— After considering our challenge, the Authority appointed a different external valuation firm with the capacity to undertake this updated review. The Authority has determined that this new external firm will be able to demonstrate compliance and experience with applicable guidance specific to the valuation of council dwellings. This new external firm has also been engaged by Milton Keynes Council to carry out a review of its council dwellings, and the closedown team had leveraged its existing relationship with Milton Keynes Council in identifying this external valuation firm. <li data-bbox="362 1518 1338 1570">— We understand that the Authority has received the results of this second valuation towards the end of May and this is being assessed internally. <li data-bbox="362 1591 1338 1674">— We will continue to liaise with Management and our KPMG valuers who will review the valuation output once finalised to ensure the valuations were carried out in line with applicable guidance and aligns to expectations.

Financial statements (cont.)

Significant audit opinion risks

Our work to date

Significant changes in the pension liability due to the LGPS Triennial Valuation

- We undertake a review of the pensions submission to the Authority’s Pension Fund. We tested that the payroll data submission that was sent to the Fund was complete and accurate and found no issues. This is an improvement on prior year where a recommendation was raised regarding this.
- The work and testing over the triennial valuation will be undertaken as part of the year end visit. KPMG have shared the audit protocol document for this work. As highlighted in the *External Audit Plan 2016/17*, this will result in extra costs.

Management override of controls

- We have used Data and Analytics (D&A) over the Authority’s transactional data to test 100% of expenditure and payroll transactions from month 1 to month 9.
- As at the date of this audit report, D&A over Accounts Payable and Payroll has been performed and is being shared with the Council Officers for their review and comment. The work on payroll highlighted a number of exceptions which highlighted that incorrect data was shared with us prior to the work being undertaken. A new report has been provided and our results will be updated. This however has led to a duplication of work and extra time required.
- D&A over journals will be performed at year end as agreed with the Integrated Closedown team and the Officers have committed to providing journal data by 31st May in order for us to undertake our analysis and testing, and provide results to the Authority prior to our on-site visit to aid with the efficiency of the audit process. This delay was a result of the Authority not being able to reconcile their journal listing to the General Ledger.

Section one

Financial statements (cont.)

We have performed work in relation to potential risk areas, but are less likely to give rise to a material error. We have summarised our work to date:

Other areas of audit focus	Our work to date
Disclosures associated with retrospective restatement of CIES, EFA and MiRS	<ul style="list-style-type: none">— Through the Authority’s new Integrated Closedown team, the Authority intends to adopt the model developed and adopted by the Integrated Closedown team in relation to the CIES, EFA and MiRS.— We understand that this process is still in its early stages. We have requested a copy of working papers to support this restatement prior to the year end audit to support the Council in this complex restatement process.
Change in the Non Domestic Rates (NDR) system	<ul style="list-style-type: none">— Our IT team are working with officers to review changes in the Revenues and Benefits system, Academy Capita. The operation of system was brought back from Borough Council of Wellingborough to LGSS Revenues during the financial year. We therefore scoped the system into the work plan of our IT specialist team to review the data transfer and the new system.— The work will be completed imminently and we will report on our findings in the <i>ISA 260 report</i>.



Section two

Use of resources

Significant VFM risks are key risks which require specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Significant VFM risks	Our work to date
1. Governance Action Plan	<p data-bbox="362 520 415 555">Risk</p> <p data-bbox="362 561 1340 768">In December 2016, the Authority’s internal auditors, PwC, issued a report on the Authority’s Risk Management Policy and framework and to advise the Council on best practice. This was in response to the loss of £10.22 million in relation to the loan to Northampton Town Football Club (NTFC). The Authority developed a Governance Action Plan based on the recommendations raised by PwC. This plan is a fundamental document for the Authority which contains all 11 recommendations made within PwC’s report. There is a risk that issues and recommendations raised within the report are not addressed by the Authority.</p> <p data-bbox="362 774 979 810">Interim/Preliminary assessment and work undertaken</p> <p data-bbox="362 816 1340 913">We have obtained the Governance Action Plan that was presented to Audit Committee on 5th December 2016. We reviewed and noted the actions reported to Audit Committee on 6th March 2017.</p> <p data-bbox="362 919 1340 975">We note progress in many areas and have picked out the priority actions which also feed into our audit approach. We have performed work in a few of the priority areas as below:</p> <ul style="list-style-type: none"> <li data-bbox="362 982 668 1017">— <i>Due Diligence – Priority 2</i> <li data-bbox="362 1023 1340 1162">A loans checklist has been developed and implemented as a result of our ISA 260 recommendation from 2015/16. Existing loans are now subject to enhanced monitoring. As part of our audit work we have reviewed the monitoring over the loans. For more information on our loans work, see VFM risk 2 overleaf. <li data-bbox="362 1168 605 1203">— <i>ISA 260 – Priority 4</i> <li data-bbox="362 1210 1340 1328">As part of our interim audit, we have reviewed the Management Action Plan Progress Tracker. We appreciate the work that has gone into compiling this and have found this a helpful tool. We note significant progress has been made on previous recommendations and have followed up formally in Section Three. <li data-bbox="362 1334 758 1369">— <i>Retrospective Orders – Priority 8a</i> <li data-bbox="362 1375 1340 1493">As part of our audit approach we have used Data and Analytics to highlight those Purchase orders which are dated post invoice and goods received notes dates. At the date of this report, the data is being analysed and we will report our findings in our ISA 260. <li data-bbox="362 1500 1340 1618">We will continue to monitor progress throughout the audit. All risks and recommendations raised within the report are currently being addressed and the Authority are taking comments and recommendations on board.

Use of resources (cont.)

Significant audit opinion risks
Our work to date

2. NTFC loan and the wider loans system
Risk

In 2015/16, the Authority wrote off the outstanding loan given to Northampton Town Football Club (NTFC) due to failure of NTFC to make payments between May and September 2015. We issued an adverse conclusion on the Authority's arrangements to secure value for money. We were not satisfied that external or internal scrutiny provides sufficient assurance that the Authority's arrangements in relation to loans are adequate. Subsequent to the loss of the £10.22 million, the Authority has approved up to £950,000 to be spent on recovering the lost monies and professional fees in relation to this matter. This is approximately 9% of the lost loan. These funds originated from the Authority's earmarked reserves.

Interim/Preliminary assessment and work undertaken

From the £950,000 authorised, the Authority has spent or committed a large proportion to date. Despite this, the Authority has not had any success in recovering the lost monies. We also note the High Court's ruling on 16 March 2017 against the Authority in relation to the Authority's claim on £180,000 from the former chairman of NTFC. We acknowledge that in May 2016 the Council has obtained a legal charge over half of the proceeds of the sale of the former chairman's property. Nonetheless, this is subject to the Authority's legal case being successful and the crystallisation of the proceeds from the sale.

The circumstances surrounding the loan issued to NTFC are currently the subject of a police investigation. In 2015/16, we have also received an objection on the financial statements in relation to the NTFC loan. Our review into this is still outstanding due to the ongoing police investigation. Nonetheless, the circumstances and findings which arose from these formed part of our adverse VFM conclusion. Our VFM assessment for 2016/17 will also take these and the ongoing expenditure into account and is likely to be consistent with our conclusion in the prior year.

During the interim audit, we have considered the Authority's wider loans system and reviewed the processes behind the monitoring of the repayments of loans. For the Authority's remaining four loans, we have agreed due payments in year to cash received by the Authority. There were no issues noted.

We are also aware that no soft loans have been issued in the year to date and have confirmed with Officers that there are currently no plans to do so. The Council has developed a list to be used should there be a loan issued going forwards; this list will be reviewed during our year end audit.

Use of resources (cont.)

Significant audit opinion risks
Our work to date

3. Procurement**Risk**

We identified management override of controls as a significant audit risk (see page 7). Linked to this risk is the resulting impact on the Authority's procurement process. Non-pay expenditure was approximately £11.5 million (37% of total cost of services expenditure) in 2015/16. Discussions with NBC's internal auditors (PwC and LGSS Internal Audit) have highlighted that this is an area which has not been assessed in the last few years, which gives rise to a significant VFM risk. This is also linked to our prior year recommendations (see our ISA 260 reports in 2014/15 and 2015/16) where we recommended that the internal audit of key operational areas should be better co-ordinated between NBC's two internal audit providers.

Interim/Preliminary assessment and work undertaken

Four contracts were awarded in year. We have reviewed the tendering process for the four contracts to ensure that appropriate review of tenders was performed and analysed and that contracts were awarded in line with the Authority's procedures. We are still waiting to hear back from Council Officers regarding two contracts despite a number of follow up emails. No issues were found with the two that we have been able to review.

Our work over accounts payable using Data and Analytics is ongoing and will be reported back in the *ISA 260 2016/17*.

We will perform further work as part of our year end visit around the declarations of interests over suppliers.

4. Financial resilience**Risk**

In December 2016, the Authority published a draft Medium Term Financial Plan 2017/18 – 2021/22 (which incorporates its Efficiency Plan published on September 2016) that sets out a balanced budget for 2017/18.

From 2018/19, the Authority has identified funding gaps; however it is confident that the targets in the Efficiency Plan are sufficient to bridge the forecast gap in the MTFP and are monitored by the management board. The Authority's proposed new governance arrangements include a specific Officer Board focussed on the delivery of the Efficiency Plan and associated improvement projects.

Interim/Preliminary assessment and work undertaken

In the current year, forecast outturn is expected to be £0.5m less than budget. Despite staffing pressures and use of agency, the Authority has been able to make the required budget savings. We will review this again at year end.

We have reviewed the MTFP and a balanced budget has been set for 2017/18.

(continued overleaf)

Section two

Use of resources (cont.)

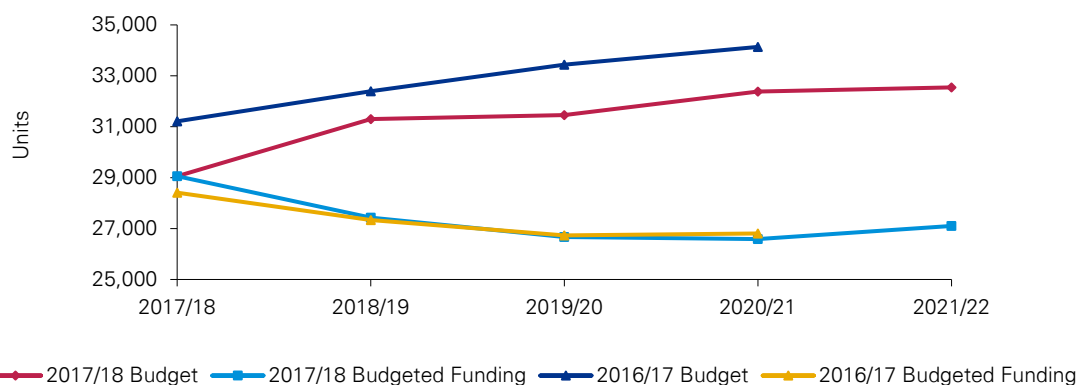
Significant audit opinion risks

Our work to date

4. Financial Resilience

(continued)

MTFP income and expenditure



MTFP						
£'000	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
2017/18 MTFP						
Budget	-	29,059	31,300	31,458	32,385	32,544
Budgeted funding	-	29,059	27,428	26,667	26,586	27,100
Funding gap outlook in 2017/18	-	-	3,872	4,790	5,799	5,444
2016/17 MTFP						
Budget	30,601	31,216	32,393	33,441	34,139	-
Budgeted funding	30,601	28,409	27,333	26,731	26,807	-
Funding gap outlook in 2016/17	-	2,807	5,060	6,710	7,332	-

We will update our view on the outturn throughout the course of the audit. Given the gap of £3.9m for 2018/19 in new funding and new expenditure, the Authority will continue to face pressures and it is important to make and achieve savings.

We will also review:

- The arrangements for assuring delivery of the Authority's savings programme;
- The delivery of the saving plans to date including any actions taken by the Authority where savings are not achieved in line with the plan;
- The arrangements the Authority have in place for identifying further savings in future years.

We are satisfied that the Authority has suitable arrangements in place to monitor and ensure delivery of the savings plans.



Section three

Recommendations raised and follow-up

Section three

Recommendations raised and follow-up

This section presents our recommendations to date in 2016/17.

Recommendations summary

Priority	Number raised/ outstanding in 2015/16	Number implemented in 2016/17	2015/16 recommendations to be formally assessed by KPMG as part of 2016/17 final audit	Recommendations raised from 2016/17 audit work	Live recommendations as at date of report
High	2	-	2	1	3
Medium	5	1	4	-	4
Low	3	1	2	-	2
Total recommendations	10	2	8	1	9

We recognise that the Authority has made progress against a number of these recommendations, as reported to the Audit Committee. However, we are only able to formally assess these recommendations during our year end audit in July 2017. We will report on these in our *External Audit Report (ISA 260) 2016/17* to the Audit Committee upon completion of our audit.

Recommendations raised and follow-up (cont.)

We have raised recommendations as part of our interim audit. We have given each recommendation a risk rating and agreed what action management will need to take. The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

High priority Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Medium priority Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

Low priority Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.



1. Team resilience and use of interim staff

The Authority has a number of interim staff in key positions within its Estates and Integrated Closedown teams. The departure of the Interim Asset manager and a number of interim valuers has resulted in delays to the valuation process for Council dwellings. There are now no qualified valuers remaining in the Estates team. The knock-on effect has caused us to modify our audit approach to accommodate the Authority's new schedule.

A member of the Integrated Closedown team has also departed in year however the Authority has since recruited an interim replacement for the member of the Integrated Closedown team. Nonetheless, this is a real risk that corporate knowledge is lost upon the departure of interim staff and these potentially impact the valuation and accounts production process.

The use of interim staff has been a focus of the Audit Committee.

Recommendation

We recommend the Authority looks to appoint permanent members of staff as a matter of urgency.

Management Response

For the LSGS Integrated Closedown Team: The Integrated Finance Service only came into existence formally in November 2016 following which work was undertaken to populate the new structure throughout November and December 2016. At that time there was a gap in the permanent resources to fill the Group Accountant Closedown lead for NBC and MKC. Given the timing was only 3-4 months before the year end (i.e. the period when the planning for the year end is at a critical stage alongside the preparation for the interim audit arrangements) it was necessary to continue with the interim member of staff who led the closure of the NBC accounts in 2015/16.

Due to uncontrollable factors the interim member of staff left post in the first week of April, which management agree has created an additional risk to the accounts closure. Again due to the timing of these circumstances and the need to have an experienced closedown lead in place from April 2017 onwards (i.e. at the time the accounts are being produced) a replacement interim Group Accountant appointment was made within 1 week to manage this risk.

It is absolutely agreed that this critical post is appointed to permanently, which is in progress and planned to happen as soon as possible. However in reality a permanent appointment will take 3-4 months to bring in and therefore there is no other option than to continue with the interim arrangements to produce the accounts for 2016/17.

(continued overleaf)

Recommendations raised and follow-up (cont.)

The recruitment will be undertaken as quickly as possible with a view to ensuring some handover time between the interim and permanent post holders.

Responsible officer: Integrated Finance Team Owner – Jon Lee

Deadline: 30 September 2017

For the Asset Management Team: The NBC Asset Team is currently subject to a review of its structure as part of a Directorate wide review following the appointment of a new Director. The outcome of this is being agreed and implemented. As part of the transition existing staff employed by the Council, supplemented by interim resources and use of external organisations are being targeted at priority areas of work

Responsible officer: Director of Regeneration, Enterprise and Planning

Deadline: Full structure implemented by March 2018

Recommendations raised and follow-up (cont.)

We have asked management to provide its assessment of progress against our 2015/16 ISA260 recommendations. These are reproduced below. We continue to work with Management and will report on our final assessment in our ISA260 external audit report in May 2017.

Implementation Ratings

Not implemented

The recommendation has not been implemented in the 2016/17 financial year.

Partially implemented

KPMG recognises progress on this recommendation in the 2016/17 financial year however work remains to be performed by KPMG to formally close the recommendation.

Implemented

The recommendation has been implemented in the 2016/17 financial year.

High
priority

1. Controls and processes for issuing loans

There is no systematic formalised system of recording or documenting the due diligence process or results arising from the loan approval process. This includes the assessment of business cases, evidence to support key decisions made, any challenge put forward by the Authority to the loan applicant, and the Authority's internal review and approval process. The Authority had significant difficulty in obtaining the evidence required to substantiate this decision-making process. Our assessment of two loans is still ongoing due to the delayed provision of key documentation first requested in February 2016.

There is evidence that the due diligence process is not sufficiently formal nor are there a consistent set of requirements. This includes the lack of assessments regarding historic trading performance, cash flow, working capital requirements, sensitivity analysis etc. The Authority's Treasury Management Strategy, states that *"The Council will use specialist advisors to complete financial checks to ascertain the creditworthiness of the third party."* We note that the use of specialist advisors by the Authority varies across loans in relation to the scope and detail of work requested and undertaken.

The accountability and decision-making process is not sufficiently robust. We note that whilst Cabinet delegates authority to the Chief Executive or other appropriate officers, this has been done prior to finalising the due diligence process.

Recommendation

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
(continued overleaf)

Management's Original Response

Management accept that improvements should be made to the process for approving loans.

It should be noted that NBC have implemented a number of improvements in more recent loans issued, in particular the £46m loan to the University of Northampton which was subject to an intense and closely scrutinised process by the Council and external bodies, including HM Treasury.

NBC will conduct a thorough governance review, in relation to project governance, risk management and due diligence. This review will consider Cabinet decision-making and clearance processes.

The review will draw on external and internal experts and will work closely with KPMG and PWC as appropriate, and the output from the review will include documented and robust processes and checklists for the approval of loans and decision-making processes. NBC using advice from KPMG have already introduced a summary checklist to ensure that all aspects of third party loans are appropriately considered and recorded prior to approval

Completion target dates: 31 March 2017

Responsible officer: Chief Finance Officer, and Monitoring Officer

Recommendations raised and follow-up (cont.)

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.

Decision papers to Cabinet need to be robust and objective in order to allow informed and balanced decision-making. Decisions need to be made by Cabinet upon completion of required due diligence process. Officers will need to seek subsequent approval if terms of the loan are substantially revised.

KPMG Update April 2017

The Authority has developed a loans checklist to address our recommendation that there should be a systematic, robust, and objective process of assessing and documenting the due diligence procedures with regards to loans. This checklist has been shared with KPMG.

However, given the fact that due the council taking the decision not to issue any loans this year or for the foreseeable future, the checklist has not been used in practice. Therefore we have not been able to critically assess the effectiveness of this new loans checklist and whether when used in a real situation address and mitigate the risk which we have detailed in our prior year's ISA260 recommendation. In addition, for the same reason were also not able to assess whether appropriate decision-making and approvals took place in line with the recommendation raised.

As a result, we deem this recommendation to be partially implemented until we can confirm effectiveness of this new process in practice.

Partially implemented

Management's Response – April 2017

Noted.

Recommendations raised and follow-up (cont.)



2. Retrospective raising of purchase orders

Testing identified that purchase orders need to be raised prior to the Authority committing itself to purchasing goods/services. All purchases need to be authorised, and this authorisation is only carried out at purchasing order stage for those items that require a purchase order.

We noted that £7.7 million worth of expenditure in year was not appropriately authorised prior to placing an order with a supplier. In these cases purchase orders were raised retrospectively which potentially opens the Authority to potential fraud or impropriety and is contrary to the Authority's policy.

Recommendation

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.

2014/15 response

Agreed. This amount of expenditure (£7.7 million) represents approximately 3% of the value of all invoices raised in 2014/15.

This indicates a good level of financial management with 97% of purchases requiring a purchase order being processed appropriately.

All purchases made were from approved budgets and were subject to appropriate segregation of duties for final authorisation of payment.

The Authority will review this level of efficiency and continue to provide financial management training to further improve procurement compliance.

Completion target dates: 31 March 2017

Responsible officer: Chief Finance Officer

KPMG Update April 2017

We are currently undertaking our data and analytics work and will share our progress and results with you as part of the ISA 260 2016/17 at year end.

Partially implemented

Management's Response – April 2017

Noted. The Authority has undertaken an extensive number of actions in this area which are being reported part of the ISA 260 action plan.

Recommendations raised and follow-up (cont.)

Medium
priority

3. Revaluation of council dwellings

The Authority revalues approximately 20% of its council dwellings annually, using the beacon methodology. This is where similar council dwellings are grouped with one dwelling chosen to represent each group (the 'beacon'). The remaining 80% of beacons are uplifted using the average movement of the 20%. The *Stock Valuation for Resource Accounting* guidance suggests that where a rolling valuation is performed, the Authority should undertake a desk top review of the remainder, informed by the results of the revaluation, market research and comparing prices of similar transactions in year.

The Authority was unable to provide evidence of the year-end valuation methodology until after our on-site visit had been completed (22 days working days after request), causing significant delays to the completion of our work.

Handwritten notes were then provided to us, but these did not provide a clear and concise audit trail detailing the methodology used, the assumptions made, nor how calculations had been applied. There was no evidence this working paper had been reviewed. Furthermore, whilst the Authority did take into account similar transactions in the year, it did not challenge the methodology used nor undertake any additional review such as looking at wider trends, indices and other information to inform the year end movement. The Authority did not perform its own assessment of the final valuation including challenge and confirmation of this in order to understand key movements for properties.

For both the initial and year end valuations, the valuer did not provide all the documents required by Code guidance including a separate overarching valuation report covering matters such as the process used to arrive at the estimate of the remaining useful life of individual properties, the valuer's proposed strategy,, arrangements for implementing the rolling programme; and proposals for carrying out additional and ad hoc valuations.

Recommendation

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.

Management's Original Response

Accepted. There was a change in key staff within the Asset Management team prior to the start of the audit. This combined with changes to finance staff meant that the process was not as smooth as in previous years.

Management recognise there is a need for a better documented internal review process within Asset Management, and between Asset Management and Finance. Officers will be working jointly to thoroughly document processes for future years.

Completion target dates: 31 December 2016

Responsible officer: Head of Asset Management, and Strategic Finance Manager

KPMG Update April 2017

Although the Authority has taken steps to action the above, it is yet to receive a final valuation figure and therefore this recommendation is still outstanding and has been reraised as at the date of this report.

We have received assurances that the Authority has documented the full audit trail behind the valuations and the report that has been received from the external valuer has been challenged. We have engaged with KPMG valuers to review the final valuation as part of the year end audit.

Partially implemented

Management's Response – April 2017

The implementation of this recommendation has led to a greater level of review and challenge of the Beacon Group valuation for 2016/17. This has consequently led the Authority to instruct an external specialist in Council Dwellings to

(continued overleaf)

Recommendations raised and follow-up (cont.)

undertake further work to provide the assurance required. This work will have been scoped to ensure review the appropriateness of the Beacon Group valued at the 1st April 2016, amendments to that Beacon Group as deemed necessary to produce the 31st March 2017 final valuation report. This work is being undertaken in line with the RICS Valuation Standards and the CLG Guidance on Stock Valuation for Resource Accounting.

Medium
priority

4. Reconciliations

During the course of our audit we reviewed a number of reconciliations performed by the Authority between key systems. These are important controls which provide assurance that due process is being followed and that values reflected in the financial statements are calculated on an appropriate basis. We noted a number of issues including:

- Our testing of the March 2016 payroll reconciliation showed a total of 99 unreconciled items with a net value of £46,000 (gross £95,000). We also noted historical brought-forward balances which have yet to be identified by payroll.
- The Authority reconciles weekly Valuation Office (VO) reports to Academy Capita. The Authority does not reconcile the number of hereditaments (properties which are subject to business rates) to the NNDR system. There remains a small unreconciled difference in property numbers each week.
- The Authority reconciles the annual housing benefits expenditure to Agresso at the end of the year. We identified that the Authority had used the 2014/15 figure instead of 2015/16 figure for the reconciliation, resulting in an unreconciled difference of £15,300, instead of the original £997. This was not identified despite having been reviewed and signed off as “quality assured” by Officers.

Recommendation

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

Management’s Original Response

Accepted. Payroll reconciliation – Management accept there is a need to strengthen the reconciliation process. Reconciliation items must be identified and cleared within a timely period.

NDR property reconciliations - The Authority does reconcile the properties between the NDR and VO reports, and there are currently two cases where properties don’t reconcile but officers are aware of the reasons why the systems don’t reconcile and will be correcting them. The reconciliation amendment will not impact on the customers’ liability or debit raised
Housing Benefit Agresso reconciliation - Management recognise that the reconciliation process needs to be improved, and officers will be revising the process to exclude prior balances from the reconciliation data to ensure it is not included in error.

Completion target dates:

Payroll: 31 October 2016

NDR: 31 October 2016

Housing Benefit: 31 December 2016

Responsible officer: Payroll Manager

Revenues Manager

Strategic Finance Manager

(continued overleaf)

Recommendations raised and follow-up (cont.)

KPMG Update April 2017

As part of our interim audit we looked at the December 2016 payroll reconciliation. 27 reconciling items were present on the December 2016 reconciliation that were present on the July 2016 reconciliation. We recommend these are cleared as quickly as possible.

The NDR and Housing benefit reconciliations will be looked at as part of our year end audit.

Partially implemented

Management's Response – April 2017

The authority's draft accounts will include the write-off of a number of historical balances which relate to some of these reconciling items.

Recommendations raised and follow-up (cont.)

5. Cut-off and accruals accounting

We performed cut-off procedures over the Authority's non-pay expenditure controls. The Authority needs to recognise expenditure incurred within the correct financial year. Our cut-off procedures are designed to test the effectiveness of the Authority's process for identifying and allocating expenditure to the correct financial year.

We tested 10 transactions around the year-end closedown date and identified that one invoice which should have been accrued had not been. The value of this invoice was for £2,240, which is above the Authority's *de minimis* threshold and therefore should have been accounted for within 2015/16.

Whilst further investigation deemed the issue to be immaterial to the audit, and therefore no adjustments are proposed, this is a key control operated by the Authority and should be operated consistently during the year.

Recommendation

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.

Medium
priority

Management's Original Response

Accepted. Management accept this advice and they intend to review the *de minimis* level for accruals from £1,000 to £5,000 in order to make the process more efficient in the future to enable the reduced statutory deadline for the closure of accounts to be achieved. This will allow more time for increased controls over the manual accruals process which arguably present a greater risk.

Completion target dates:

31 December 2016

Responsible officer: Head of Asset Management, and Strategic Finance Manager

KPMG Update April 2017

This will be reviewed as part of our year end audit.

Partially implemented

Management's Response – April 2017

The *de minimis* level for accruals has been increased from £1,000 to £5,000 following delegated authority from the Audit Committee at the 6th March 2017 meeting to the S151 Officer. This is the level being worked to as the accounts for 2016/17 are produced and this has been communicated to finance staff and service managers in the year end guidance.

Recommendations raised and follow-up (cont.)

Medium priority

6. General IT controls – leavers

We tested the Authority’s general IT control environment this year. We carried out specific testing of key applications which are relied upon by the audit, including Agresso. For two applications, we found that staff who have left the organisation are still active on these applications:

- IBS Housing: 14 former staff had active accounts; and
- ICON: 12 former staff were on user list, of which five were disabled and seven still active users.

Recommendation

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.

Management’s Original Response

Accepted.

Management notes this recommendation and has taken the following action:

IBS Housing System. The recommendation for timely leaver forms needing to be completed and cascaded to the relevant departments has now been implemented.

ICON System. The staff responsible for maintaining user access to the ICON system have incorporated a review and disablement of users who have left into their routine monthly processes linking with the HR and Payroll teams.

Completion target dates:

Immediate

Responsible officer:

IBS Housing System: LGSS Business Systems Manager

ICON System: LGSS Exchequer team leader

KPMG Update April 2017

Our work over IT has been delayed as a result of a lack communication being received from Council Officers.

The work is currently underway and we will provide a report on the recommendation in our *ISA 2016/17* report.

Partially implemented

Management’s Response – April 2017

Noted.

Recommendations raised and follow-up (cont.)

Medium
priority

7. Preparation and review of audit working papers

Our *Accounts Audit Protocol*, issued in January 2016 and discussed with the Strategic Finance Manager, sets out our working paper requirements for the audit. During our final accounts visit, a number of issues arose in relation to the quality of the working papers, including:

- Many working papers were not checked against the requirements listed in the *Accounts Audit Protocol*, many had significant gaps in the information provided. In particular working papers relating to fixed assets and payroll caused delays to our audit process. Sign-off and review of these working papers were also performed by staff who were not aware of the requirements in the *Accounts Audit Protocol*.
- The working papers for fixed assets do not show a clear audit trail, from the financial statements to an individual asset on the fixed asset register. The Authority faced difficulty in providing us with support for the year-end valuation increase (see recommendation four below).

These issues have arisen despite the review and 'quality assurance' sign-offs on the front of each working paper.

Recommendation

The Authority should ensure that all key closedown staff receive and review the *Accounts Audit Protocol* 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.

Management's Original Response

Accepted. There were a number of changes to key staff involved in the delivery of the year end accounts, and in the onsite management of the external audit that unfortunately resulted in this situation.

Management are fully supportive of a joint review between the Authority and the external auditors to ensure a return to a high quality set of working papers ensuring a smoother audit in coming years. This will be particularly important moving forwards as further improvements are required to the process in order to meet increasingly reduced statutory deadlines for the closure of accounts.

Completion target dates:

30 November 2016

Responsible officer: Strategic Finance Manager

KPMG Update April 2017

The use of the KPMG SharePoint in the 2016/17 audit has proved to be beneficial and has helped the sharing of data, including confidential payroll information. This has now been implemented.

Implemented

Management's Update April 2017

Work has been undertaken to fully cross reference the PBC and the closedown timetable to ensure the delivery of the accounts and the PBC requirements as a single product. This was circulated to all relevant staff on the 16th March 2017.

Recommendations raised and follow-up (cont.)



8. Data provided to the pensions authority

Our testing of April to December 2015 pensions return to the pensions authority identified minor variances between the data provided and source data held by the Authority. The Authority had since alerted the pensions authority of these discrepancies; however due to the small values, there was no impact on the actuarial calculations. Nonetheless, our findings identified that checks over the pensions return were not made prior to submission.

Recommendation

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.

Management's Original Response

Accepted. Management accept this recommendation and work is being done between the Pensions and Financial Systems teams to ensure more a complete reconciliation is done which is then signed off by an appropriate manager.

Completion target dates:

30 November 2016

Responsible officer: LGSS Financial Systems Manager

KPMG Update April 2017

As part of our interim audit we tested the completeness and accuracy of the data provided to the pensions authority. No issues were found. This has now been implemented.

Implemented

Management's Update April 2017

Noted.

Recommendations raised and follow-up (cont.)

Low
priority

9. Payroll data quality

As part of our audit approach, we undertook data analytics over the Authority's payroll transactions for the year. We did not find any material issues; nonetheless, we noted some minor data quality issues, such as incorrect addresses and duplicate National Insurance numbers. We have provided the full results to the Authority separate from this report.

We noted salary payments made to employees after their effective end date. All of these have been investigated by the Authority and confirmed as appropriate.

Recommendation

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.

Management's Original Response

Management have reviewed the findings and whilst there are no significant issues, processes have already been updated during 2015/16 to address issues around national insurance numbers. A further review of data held around historic / incomplete postcodes will be undertaken

Completion target dates: 31 December 2016

Responsible officer: Payroll Manager

KPMG Update April 2017

The original results of our work over payroll data and analytics highlighted a number of data quality issues. When communicated with the Integrated Closedown team, it highlighted that the data originally used was incorrect. A new data set has been provided and the tool will be re run. This has resulted in a delay to the work produced. We will provide an update to this recommendation as part of our *ISA 260 2016/17* when the tool has been re run using the new data.

Partially implemented

Management's Update April 2017

Due to the data requirements changing for this year's audit with the request for a single data report in this area, the Systems team had to pull together the data from different sources and undertake lookup processes between the different sources. There was an issue with this lookup with new cost centres not being picked up which led to the exceptions highlighted by KPMG. This has been corrected in a revised set of data and reports, which is expected to remove the vast majority of the exceptions initially identified. We await the outcome of the revised analysis.

Recommendations raised and follow-up (cont.)

Low
priority

10. NDR provision review

The Authority collects Non-Domestic Rates (NDR) from businesses in the Borough. NDR owed to the Authority is based on rateable values, as set by the Valuation Office Agency (VOA). Ratepayers are able to appeal these values if they do not agree with the valuation. If successful, the Authority is liable to repay its share of the difference.

This was first introduced in 2013-14 due to a move to localise business rates. The Authority has set an NDR provision level of 5% based on an estimate of successful appeals. This estimate is based on information from the VOA (across a range of percentages) and the DCLG's guidance on the national average success rate.

During the course of the audit we asked the Authority to provide evidence regarding its review and analysis of local historical data collected since April 2013 in order to inform its view of the appropriateness of its provision in this area, however none was provided at that time. In raising this issue with Management, we have now been provided with information pertaining to the Authority's approach. The Authority having analysed the local data has deemed that the current approach is prudent and therefore has not adopted the calculated figures. This has not resulted in a material impact on the financial statements.

Recommendation

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.

Management's Original Response

Accepted. The Council recognises the complexity of the business rates retention system and the importance of understanding its appeals position. The Council will continue to review the impact of successful appeals on a monthly basis to assess its impact on the financial position. The outcome of this analysis, along with other sources of intelligence, will inform the level of appeals provision for 2016/17.

Completion target dates: 31 March 2017

Responsible officer: Chief Finance Officer

KPMG Update April 2017

The work over NDR provisions is a year end procedure and has not yet been reviewed by the audit team. KPMG cannot yet confirm whether this has been implemented.

Partially implemented

Management's Update April 2017

Noted.



Section four

Technical developments

PSAA's Value For Money Tool

Level of impact: ● (Low)	KPMG perspective
<p>The PSAA's Value for Money Profiles tool (VFM Profiles) was updated on 3 October 2016.</p> <p>The VFM profiles have been updated with the latest available data. The adult social care section has been re-designed based on the new adult social care financial return (ASC-FR). Data is available from 2014/15 onwards with no comparable data from earlier years.</p> <p>The VFM profiles have also been updated with the latest available data from the following sources:</p> <ul style="list-style-type: none"> — General fund revenue account budget (RA) (2016/17) — Child and working tax credit statistics (2014/15) — Children in low-income families local measure (2015) — Chlamydia testing activity dataset (CTAD) (2015) — Climate change statistics: CO2 emissions (2014) — Collection rates for council tax and non-domestic rates in England (2015/16) — Council tax demands and precepts statistics (2016/17) — Fuel poverty sub-regional statistics (2014) — Homelessness statistical release (P1E) (2015/16) — Housing benefit speed of processing (2015/16) — Mid-year population estimates (2015) — NHS health check data (2015/16) — Planning applications (2015/16) — Schools, pupils and their characteristics (2015/16) — Young people from low income backgrounds progressing to higher education (2013/14) <p>The Value For Money Profiles can be accessed via the PSAA website at http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing</p>	<p><i>The Committee may wish to seek further understanding for areas where their Authority appears to be an outlier.</i></p>

NAO report: Children in need of help or protection

Level of impact: ● (For Information)

The NAO has recently published a report entitled *Children in need of help or protection*.

The report finds that the actions taken by the Department for Education since 2010 to improve the quality of help and protection services delivered by local authorities for children have not yet resulted in services being of good enough quality. NAO analysis found that spending on children's social work, including on child protection, varies widely across England and is not related to quality.

Neither the Department for Education nor authorities understand why spending varies.

The report finds that nationally the quality of help and protection for children is unsatisfactory and inconsistent, suggesting systemic rather than just local failure. Ofsted has found that almost 80% of authorities it has inspected since 2013 are not yet providing services rated as Good to help or protect children. Good performance is not related to levels of deprivation, region, numbers of children or the amount spent on children in need. Ofsted will not complete the current inspection cycle until the end of 2017, a year later than originally planned. The Department does not therefore have up-to-date assurance on the quality of services for 32% of local authorities.

The report also notes that children in different parts of the country do not get the same access to help or protection, finding that thresholds for accessing services were not always well understood or applied by local partners such as the police and health services. In Ofsted's view some local thresholds were set too high or low, leading to inappropriate referrals or children left at risk. In the year ending 31 March 2015 there were very wide variations between local authorities in the rates of referrals accepted, re-referrals, children in need and repeat child protection plans.

The report is available from the NAO website at www.nao.org.uk/report/children-in-need-of-help-or-protection

Section four

Consultation on 2017/18 work programme and scales of fees

Level of impact: ● (For Information)

Public Sector Audit Appointments Ltd (PSAA) has published its consultation on the 2017/18 work programme and scales of fees.

The consultation sets out the work that auditors will undertake at principal local government and police bodies for 2017/18, with the associated scales of fees. The consultation document, and the lists of individual scale fees, are available on the 2017/18 work programme and scales of fees consultation page of the PSAA website: www.psa.co.uk/audit-and-certification-fees/201718-work-programme-and-scales-of-fees

There are no planned changes to the overall work programme for 2017/18. It is therefore proposed that scale fees are set at the same level as the scale fees applicable for 2016/17.

The work that auditors will carry out on the 2017/18 accounts will be completed based on the requirements set out in the *Local Audit and Accountability Act 2014* and under the *Code of Audit Practice*.

The consultation closed on Thursday 12 January 2017. PSAA will publish the final work programme and scales of fees for 2017/18 in March 2017.

This is the final year for which PSAA will set fees under the current transitional arrangements. The Secretary of State for Communities and Local Government has specified PSAA as an appointing person for principal local government and police bodies, under the provisions of the *Local Audit and Accountability Act 2014* and the requirements of the *Local Audit (Appointing Person) Regulations 2015*.

This means that PSAA will make auditor appointments under new audit contracts to bodies that choose to opt into the national scheme the company is developing, for audits of the accounts from 2018/19.

Further information is available on the appointing person page of the PSAA website: www.psa.co.uk/supporting-the-transition/appointing-person

Section four

Overview of Local Government

Level of impact: ● (For Information)

The NAO has recently published an Overview of Local Government

The overview looks at the local government landscape and summarises both matters of likely interest to Parliament and the National Audit Office's (NAO's) work with local authorities. These include Local Government Responsibilities, Funding and Service Spending and the findings from the NAOs work on Local Government.

The overview is available from the NAO website at www.nao.org.uk/report/overview-local-government



kpmg.com/uk



kpmg.com/app

© 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Appendices

1 : KPMG 2017/18 Fee Letter



AUDIT COMMITTEE REPORT

Report Title	External Audit (KPMG) 2017/18 Fees
---------------------	---

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	27 th June 2017
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the external audit proposed fees for 2017/18.

2. Recommendations

2.1 It is recommended that the Audit Committee note the external audit proposed fees for 2017/18

3. Issues and Choices

3.1 Report Background

3.1.1 The external auditors KPMG 2017/18 proposed fees are set out in their letter to the council which is included as an appendix to this report. The scale fees have been set by Public Sector Appointments Ltd and have been held at the same level as 2016/17.

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 auditors on anything contained in their report, and issues around the external 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



KPMG LLP

One Snowhill, Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Tel +44 (0) 121 2323869

Fax +44 (0) 121 2323500

Private & confidential

Mr G Hammons
Director of Finance
Northampton Borough Council
John Dryden House
8 - 10 The Lakes
Northampton
NN1 5BD

Our ref DH/NBC/1718

Contact Daniel Hayward
0121 2323280

24 April 2017

Dear Glenn

Annual audit fee 2017/18

I am writing to confirm the audit work and fee that we propose for the 2017/18 financial year at Northampton Borough Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd's (PSAA's) published work programme and fee scales.

Planned audit fee

The planned audit and certification fees for 2017/18 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

Audit area	Planned fee 2017/18	Planned fee 2016/17
Audit fee – Northampton Borough Council	£80,775	£80,775
Certification of housing benefit grant claim	TBC	£18,972

The PSAA has yet to publish its scale fee for the Certification of housing benefit grant claim. We will communicate this to you as soon as the PSAA publishes this information.

PSAA has set the 2017/18 scale fees at the same level as for 2015/16 and 2016/17, thereby preserving the 25 per cent reductions in cash terms that were applied to those years which in turn were in addition to the savings of up to 40 per cent in scale audit fees [and certification fees] in 2012/13. This equates to a real terms saving of 61 per cent over this period. The 2017/18 planned fee is in line with the scale fee.

As we have not yet completed our audit for 2016/17 therefore the audit planning process for 2017/18, including the risk assessment, will continue as the year

progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

Redistribution of Audit Commission surplus

PSAA plans, during the course of 2017/18, to make a distribution of surplus funds to principal local government and police bodies. The distribution is made possible by the transfer of an element of the Audit Commission's retained earnings prior to its closure in March 2015 and by PSAA continuing to generate surplus funds and make further efficiencies since its establishment.

This distribution will be made directly by PSAA and not via KPMG. Based on current information, PSAA anticipates that the amount of the redistribution is likely to be in the order of 15% of the scale fee.

Factors affecting audit work for 2017/18

We plan and deliver our work to fulfil our responsibilities under the Code of Audit Practice (the Code) issued by the National Audit Office (NAO). Under the Code, we tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting our audit responsibilities or financial reporting standards.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources and to do this we will undertake appropriate value for money (VFM) audit work. The 2017/18 fees have been set on the basis that the NAO's Code and supporting guidance does not change the level of work required on the VFM audit. Should this not be the case, or if new or increased significant VFM audit risks arise that require further audit work, additional fees will be necessary over and above the scale fee. Any such additional fees will be subject to approval through PSAA's fee variation process.

Certification work

As well as our work under the Code, we will certify the 2017/18 claim for housing benefit subsidy to the Department for Work & Pensions (DWP).

The 2017/18 subsidy claim will be the final year for which PSAA will make arrangements for auditors to undertake housing benefit subsidy certification work. After the end of the transitional arrangements and the current audit contracts, PSAA has no legal power or remit in relation to assurance on claims or returns. The DWP is developing its own assurance arrangements from 2018/19 and has issued further

guidance directly to local authorities. We will liaise with the Council over the future approach to this work as details emerge.

There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

Assumptions

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued early next year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2. A statement of our independence is included at Appendix 3.

The proposed fee excludes any additional work we may agree to undertake at the request of Northampton Borough Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

Beyond 2017/18

The 2017/18 audit will be the last under the current transitional arrangements whereby PSAA is responsible for managing the audit contracts novated to it from the Audit Commission upon its closure in March 2015.

For audits of the accounts from 2018/19, the provisions of the Local Audit & Accountability Act 2014 in relation to local appointment of auditors take effect. The Secretary of State for Communities and Local Government has specified PSAA as the

appointing person for principal local government and police bodies. PSAA will therefore appoint auditors and set scale audit fees for bodies that have opted into its national scheme.

Our team

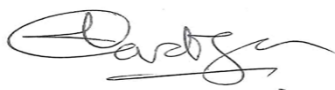
The key members of our audit team for the 2017/18 audit are:

Name	Role	Contact details
Andy Cardoza	Director	andrew.cardoza@kpmg.co.uk 0121 232 3869
Daniel Hayward	Senior Manager	Daniel.Hayward@kpmg.co.uk 0121 232 3280
Joseph Seliong	Manager	Joseph.seliong@kpmg.co.uk 0121 232 3920
Katie Scott	Assistant Manager	Katie.scott@kpmg.co.uk 0121 232 3632

Quality of service

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Andy Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to: Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ

Yours sincerely



Andy Cardoza
Director, KPMG LLP

Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2016/17;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA Code of Practice on Local Authority Accounting within your 2017/18 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you (note that 2017/18 is the first year in which the 'faster close' timetable applies whereby the deadline for draft accounts moves to the end of May and the deadline for publishing audited accounts moves to the end of July);
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by KPMG, PSAA, the NAO or other regulators; or

- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
External audit plan	January 2018
Interim audit report	April 2018
Report to those charged with governance (ISA260 report)	July 2018
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	July 2018
Opinion on Whole of Government Accounts return	TBC
Annual audit letter	TBC
Certification of grant claims summary report	TBC

Appendix 3 – Independence & objectivity requirements

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. The APBs Ethical Standard requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the NAO's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

- Audit staff are expected not to accept appointments as Governors at certain types of schools within a local authority area.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of April 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Appendices

**1 : PwC Annual Report
2016/17**



AUDIT COMMITTEE REPORT

Report Title	PwC Internal Audit Annual Report 2016/17
---------------------	---

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	27 th June 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 annual report for 2016/17. The work 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 annual report for 2016/17.

3. Issues and Choices

3.1 Report Background

3.1.1 The PwC internal audit service have undertaken a number of audits on the services in Northampton Borough Council during 2016/17. The nature and scoping of those audits has been developed following a number of regular joint meetings between LGSS internal audit and finance staff, and PwC internal audit to ensure that appropriate coverage is maintained between the two internal auditors.

3.1.2 The report indicates that the internal auditor's opinion is that major improvements are required in relation to governance, risk management and

control. It recognises that the authority has taken significant action to improve the adequacy and effectiveness of governance, risk management and control, which is evidenced by the implementation of an extensive and wide reaching governance action plan in December 2016. This action plan and progress on its implementation have been and will continue to be reported to this Audit Committee.

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

Internal Audit Annual Report 2016/2017

Northampton Borough
Council

June 2017

Contents

1. Executive summary	1
2. Summary of findings	3
3. Internal Audit work conducted	4
4. Follow up work conducted	9

Appendices	10
-------------------	-----------

Appendix 1: Limitations and responsibilities	11
Appendix 2: Opinion types	12
Appendix 3: Basis of our classifications	13
Appendix 3: Performance of internal audit	15

Distribution List

For action	David Kennedy, Chief Executive
	Francis Fernandes, Monitoring Officer
	Glenn Hammons, Section 151 Officer
For information	Audit Committee

This document has been prepared only for Northampton Borough Council and solely for the purpose and on the terms agreed with Northampton Borough Council under our engagement letter dated 19 May 2016.

1. Executive summary

Introduction

This report outlines the internal audit work we have carried out for the year ended 31 March 2017.

Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control (i.e. the organisation’s system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The Audit Committee agreed to a level of internal audit input of 200 days as part of the original internal audit plan and an additional 10 days were agreed in January 2017. Of this 210 days were delivered.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is in conformance with the Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

We are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

Opinion

Our opinion is as follows:

Satisfactory	Generally satisfactory with some improvements required	Major improvement required	Unsatisfactory
--------------	--	-----------------------------------	----------------

There are significant weaknesses and non-compliance in the framework of governance, risk management and control which put the achievement of organisational objectives at risk.

Major improvements are required to improve the adequacy and effectiveness of governance, risk management and control. Please see our Summary of Findings in Section 2.

An explanation of the types of opinion that may be given can be found in Appendix 2.

Basis of opinion

In 2015/16 the annual opinion was “generally satisfactory with some improvements required”. There has been a significant change in our opinion following the conclusion of work and issuing of a final report in relation to the Northampton Town Football Club loan.

The report highlighted a number of issues around governance, risk management and project management. Since these are fundamental principles pervasive across the Council they are deemed to represent a real and substantial risk that governance and risk management systems will fail and management’s objectives will not be achieved. The Council has taken action to improve the adequacy and effectiveness of governance, risk management and control. In December 2016, officers implemented a governance action plan, designed to address the issues identified and improve governance and risk management across the organisation. The governance action plan is far reaching and the Council are in the process of implementing a series of recommendations and actions. At present, this is not yet fully embedded across the organisation and all action

points are not yet due to be delivered but we recognise the significant commitment that officers have made to deliver this action plan.

The other internal audit reports undertaken in the year have identified limited findings, with most findings being rated generally medium or low risk.

Previously agreed action plans have not been monitored by officers so it is not possible to determine whether these have been implemented or not. Officers are undertaking an exercise to review previous internal audit recommendations and ensure, where still appropriate, these are implemented but this exercise has not yet concluded.

Acknowledgement

We would like to take this opportunity to thank Northampton Borough Council's staff, for their co-operation and assistance provided during the year.

2. Summary of findings

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

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

<i>Description</i>	<i>Detail</i>
<p>Overview</p> <p>We completed 5 specific internal audit reviews. This resulted in the identification of 5 medium and 13 low risk findings to improve weaknesses in the design of controls and / or operating effectiveness.</p> <p>In addition, we have undertaken 4 reviews where no specific review rating was assigned. This identified a number of issues around the design and operation of controls which are pervasive across the organisation.</p>	<p>The table in section three below shows all reports undertaken during the year and the results of these.</p> <p>Our original internal audit plan included 15 specific areas of focus; however our internal audit resource was reallocated to complete the review into the Northampton Town Football Club loan.</p>
<p>Internal Control Issues</p> <p>During the course of our work we identified a number of weaknesses that we consider should be reported in your Annual Governance Statement.</p>	<p>Our report reviewing the policies and procedures relating to the provision of loan finance to Northampton Town Football Club identified a number of significant issues regarding the decision making process, governance, risk management and project management. Such weaknesses should be reflected in the Annual Governance Statement.</p> <p>In response, officers presented a governance action plan to the December 2016 Audit Committee meeting. This was a far reaching programme of work which addressed our findings and sought to refresh the existing system of governance and risk management across the organisation. The progress in implementing the governance action plan is being monitored by the Audit Committee and officers have demonstrated a number of actions have already being completed.</p>
<p>Follow up</p> <p>During the year we have undertaken follow up work on previously agreed actions.</p>	<p>Officers are working to review the outstanding internal audit recommendations and to make sure that actions remains appropriate and within the remit of the Council. Action is being taken to ensure that appropriate people within the Council take ownership for implementing internal audit recommendations.</p>
<p>Good practice</p> <p>We also identified a number of areas where few weaknesses were identified and / or areas of good practice.</p>	<p>Generally the risk rated reviews undertaken during the year highlighted minimal issues and we were able to issue low risk reports in relation to the following areas:</p> <ul style="list-style-type: none"> • Economic regeneration and enterprise • Taxi licensing • Key financial systems

3. Internal Audit work conducted

Introduction

The table below sets out the results of our internal audit work and implications for next year's plan.

We also include a comparison between planned internal audit activity and actual activity.

Northampton Town Football Club loan report

Our review of the policies and procedures relating to the provision of loan finance to Northampton Town Football Club identified a number of critical issues regarding the operation of controls in relation to:

- Business case and decision making process
- Loan agreement
- Governance
- Risk management
- Performance management
- Management information
- Financial controls
- Project management

Although the report did not include a specific report rating classification the conclusion drawn highlighted concerns regarding the lack of an approved business case, appropriate independent advice and documented risk management and governance processes.

The significant time invested by the Council in retrospectively collating information and evidence to demonstrate adequate governance, risk and performance management indicates that this was not undertaken in a formal, process driven manner at the time of inception. The fact that there are thousands of emails and sources of evidence to demonstrate the actions undertaken is confusing and fails to demonstrate adequately ownership and control of the situation.

Since the issues identified relate primarily to governance, risk management and project management these are considered to be pervasive across the entire Council and jeopardise their ability to deliver the Council's objectives.

In response, officers presented a governance action plan to the December 2016 Audit Committee meeting. This was a far reaching programme of work designed to address the issues identified and improve the existing system of governance and risk management across the organisation.

The progress in implementing the governance action plan is being monitored by the Audit Committee and officers have demonstrated a number of actions are already underway and action is being taken to implement a new structure of governance across the organisation.

<i>Review</i>		<i>Report classification</i>	<i>Number of findings</i>			
			<i>Critical</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>
Environmental Health and Licensing	Final	Low	-	-	-	2
Economic development and regeneration	Final	Low	-	-	-	2
Planning: Building control	Final	Medium	-	-	3	1
Housing options	Final	Medium	-	-	2	4
Key financial system controls	Final	Low	-	-	-	4
		Total	-	-	5	13

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

- Disabled Facilities Grant
- Environmental Services
- Risk Management

Additional Internal Audit Support

Environmental Services

We have also provided additional support to the Director of Customers and Communities by reviewing the draft Cabinet paper and Business Case prepared by the Council to support the next phase of re-provision of the Environmental Services outsourced contract. We obtained a high level understanding of the approach taken by the Council and provided feedback on any observations arising from this review. This work has been undertaken in addition to the internal audit plan.

Risk management

Chris Dickens has provided advice on governance during November and December 2016 during which time he supported the Council as it developed a new risk management strategy and policy, provided input into the job description for the new Governance and Risk Manager and provided training slides on risk for staff and members. This work has been undertaken in addition to the internal audit plan.

Implications for next year's plan

In response to the Northampton Town Football Club report officers issued a Governance Action Plan. Going forward, it is essential for officers to ensure this is fully implemented as well as undertaking a thorough review of outstanding internal audit recommendations to improve on the current Annual Opinion and establish a strong control environment.

Following the exceptional Audit Committee in December 2016 we have worked closely with management to assess the new Governance Board and plans arising from the Governance Action Plan. We have developed next year's plan to support the Council in implementing their plans and providing the Audit Committee with adequate assurance. The 2017/18 Internal Audit Plan will include work in the following areas:

- Risk management;
- Decision governance;
- Project and programme management;
- Recommendation tracking; and
- Financial governance.

Comparison of planned and actual activity

Auditable Unit	Budgeted days	Actual days	Comments
LGSS Review: Phase 2	20	0	This review was intended to look at the resources in place within LGSS to compare the level of charges with the Council's understanding of the services being received. Since the Council has given notice on these elements of the LGSS contract this review did not take place and the days were used to support alternative internal audit work.
Risk Management	10	10	Actual days were in line with the original plan.
Business Continuity	10	0	This review planned to consider the business continuity arrangements. The days were used to support alternative internal audit work.
Governance: Corporate Policy	10	0	This review planned to consider the processes for updating policies and ensuring ongoing compliance. The days were used to support alternative internal audit work.
Performance management	10	0	This review planned to consider the performance monitoring arrangements. The Council is currently building new outturn reports, resetting KPIs, targets and following up on reporting and accountability for service performance processes. Until this process is fully embedded this review will be deferred. The days were used to support alternative internal audit work.
Northampton Town Football Club	20	106.5	Additional days taken to complete the review into Northampton Town Football Club loan.
Economic development and regeneration	10	10	Actual days were in line with the original plan.
Planning	10	10	Actual days were in line with the original plan.
Directorate governance:	10	0	This review planned to consider the controls in place to ensure governance and accountability within the

Borough Secretary			Borough Secretary Directorate. The days were used to support alternative internal audit work.
Environmental Health and Licensing	10	10	Actual days were in line with the original plan.
Environmental services	-	8.5	Review delivered using specialist internal audit day rate. Review undertaken in addition to the agreed audit plan. Original 10 days included in the plan moved to NTFC report.
Customers and cultural services	10	1.5	This review planned to consider the development of the Museum Trust. The days were used to support alternative internal audit work.
Housing options	10	10	Actual days were in line with the original plan.
Private Sector Housing	10	1	This review planned to consider the controls in place relating to the Private Sector Landlord scheme. The days were used to support alternative internal audit work.
Partnerships and Communities	10	1	This review planned to consider the controls in place around the partnership arrangement with Northamptonshire Partnership Homes. The days were used to support alternative internal audit work.
Internal audit management	20	20	Actual days were in line with the original plan.
Contingency	20	20	We used these contingency days to deliver a report into the 2015/16 Disabled Facilities Grant. The review supported the Section 151 Officer, on behalf of the Council, in signing the DFG Grant Declaration to Northamptonshire County Council.
Total days – original plan	200	208.5	
Key financial system controls	0	10	Following our meeting with LGSS Finance and LGSS Internal Audit we identified additional controls and processes which required testing. We agreed with officers 10 additional days of internal audit time to support the delivery of this review.
Total days	200	218.5	

Implications for management

To ensure that our 2016/17 Internal Audit Plan remained suitable and appropriately responded to the Council's current risks we continually reviewed the Internal Audit Plan with the Section 151 Officer and Monitoring Officer throughout the year. This resulted in a number of changes to focus on the conclusion of the NTFC report and to provide risk management support. The Annual Governance Statement should reflect on the level of coverage obtained across the organisation given our focus on concluding the Northampton Town Football Club loan report in the year.

We have worked closely with Officers to assess the new Governance Board and plans. We have developed next year's plan to support the Council in implementing their plans and providing the Audit Committee with adequate assurance. The 2017/18 Internal Audit Plan will include work in the following areas:

- Risk management;
- Decision governance;
- Project and programme management;
- Recommendation tracking; and
- Financial governance.

4. Follow up work conducted

Introduction

In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented. The table below summarises the level of open outstanding actions:

Audit Year	Audit Title	Total
2012/13	Housing Rents	3
2013/14	Asset Management	3
2014/15	Data Protection	3
	Directorate Review: Regeneration, Enterprise and Planning	4
2015/16	Scope and effectiveness of the Section 151 Officer arrangement	1
2016/17	Economic development and regeneration	2
Grand Total		16

Results of follow up work

The full reports are available to all senior officers using our online TrAction tool which includes details of the specific findings. Officers have worked through previous internal audit reports and have reduced the number of findings from 185 recommendations, across 51 reviews to 16 recommendations, across 6 reviews to make sure that actions remains appropriate and within the remit of the Council today.

As part of next year's plan we will validate that the recommendations removed are no longer relevant to the Council and where actions are considered still to be appropriate action is being taken to ensure that appropriate people within the Council take ownership for implementing internal audit recommendations, especially where the original audit sponsor is no longer in place.

Summary

We recommend that the Council focuses on establishing a regular reporting cycle regarding outstanding audit recommendations and focus on ensuring that for all previously agreed recommendations action is taken to ensure appropriate actions are implemented at the earliest opportunity.

Appendices

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

Our work has been performed subject to the limitations outlined below.

Opinion

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

Internal control

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

Future periods

Our assessment of controls relating to Northampton Borough Council is for the period 1 April 2016 to 31 March 2017. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

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

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

Responsibilities of management and internal auditors

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

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

Appendix 2: Opinion types

The table below sets out the four types of opinion that we use, along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit will apply his/her judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.





Type of opinion	Indication of when this type of opinion may be given
Satisfactory	<ul style="list-style-type: none"> • A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and • None of the individual assignment reports have an overall report classification of either high or critical risk.
Generally satisfactory with some improvements required	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are <i>not significant in aggregate</i> to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are <i>isolated</i> to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete parts</i> of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete parts</i> of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignments that are <i>not pervasive</i> to the system of internal control; and • A <i>minority</i> of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	<ul style="list-style-type: none"> • High risk rated weaknesses identified in individual assignments that <i>in aggregate are pervasive</i> to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are <i>pervasive</i> to the system of internal control; and/or • <i>More than a minority</i> of the individual assignment reports have an overall report classification of either high or critical risk.
Disclaimer opinion	<ul style="list-style-type: none"> • An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: <ul style="list-style-type: none"> ○ Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or ○ We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

Appendix 3: Basis of our classifications

Report classifications

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

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

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

Individual finding ratings

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

Appendix 3: Performance of internal audit

Key Performance Indicators

We agreed a suite of Key Performance Indicators (KPIs) with management and the Audit Committee. Our performance against each KPI is shown in the table below. These highlight the focus of our work and the standard attained:

KPI	Target	Performance	Comments
Infrastructure			
Audits budgeted v actual	+/- 10 plan days	+ 18.5 days	We have set out our comparison of planned and actual activity in section 3, Internal Audit work conducted above. This shows that we have completed 218.5 days against our original plan of 200 days. This is owing to the significant additional time spent in completing the Northampton Town Football Club review.
Planning			
% of audits with Terms of Reference	100%	100%	All completed audits have a terms of reference that has been agreed by management.
Fieldwork			
% of audits with an exit meeting	100%	100%	All completed audits have had an exit meeting summarising the outputs from the review and identifying the next steps in terms of preparing a report. For all completed audits a draft report has been shared with management for comment with the option to discuss the report further.
Reporting			
Draft reports issued promptly	100%	75%	The KPI target is that draft reports should be issued within three weeks following fieldwork completion. Two reports were delayed in being issued: - Building control: this should have been issued on 23/12/16, however it was not issued until 05/01/17 owing to Christmas break - Regeneration, Enterprise and Planning: this should have been issued on 16/12/16, however it was not issued until 22/12/16 as the individual who completed the work was on holiday, and the delay was communicated to management. We will work closely with management next year to ensure draft reports are issued promptly.
Attendance at Audit Committee	100%	100%	We have attended all audit committee meetings and provided a paper setting out our current progress against the Internal Audit Plan.

<i>KPI</i>	<i>Target</i>	<i>Performance</i>	<i>Comments</i>
Relationships			
Overall client satisfaction score	9/10	9/10	<p>We have requested satisfaction surveys from the following individuals:</p> <ul style="list-style-type: none"> • David Kennedy – Chief Executive • Francis Fernandes – Monitoring Officer <p>The results of responses received so far is 9/10. We will update the Audit Committee when further responses are received.</p>

Quality assurance and improvement programme

Internally, to demonstrate the ongoing monitoring of the performance of the internal audit activity we have reported our performance against the Key Performance Indicators as set out in our Internal Audit Plan in the section above. To ensure we uphold the highest level of quality we have also undertaken a self-review of our compliance with public sector internal audit standards. The results of this have been presented separately in the report to the Audit Committee members.

There have not been any formal external assessments performed in the year. However, the ISA260 report from the Council's External Auditors, KPMG, highlighted that the Authority should ensure that it undertakes a thorough assessment of both internal audit providers, LGSS and PwC, annual audit plans to ensure that appropriate coverage is provided. To support this, we established quarterly joint meetings in September 2016 with the Section 151 Officer, LGSS Internal Audit and when relevant, external audit, to ensure there is ongoing communication between the different parties.



In the event that, pursuant to a request which Northampton Borough Council has received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), it is required to disclose any information contained in this terms of reference, it will notify PwC promptly and consult with PwC prior to disclosing such information. Northampton Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Act to such information. If, following consultation with PwC, Northampton Borough Council discloses any such information, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Northampton Borough Council and solely for the purpose and on the terms agreed with Northampton Borough Council in our agreement dated 19 May 2016. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2017 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

Appendices

1 : LGSS Annual Report 2016/17



AUDIT COMMITTEE REPORT

Report Title	LGSS Internal Audit Annual Report 2016/17
---------------------	--

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	27 th June 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 internal audit annual report relating services provided to Northampton Borough Council in 2016/17. 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 internal audit annual report relating to the provision of services by LGSS to Northampton Borough Council.

3. Issues and Choices

3.1 Report Background

3.1.1 The LGSS internal audit service have undertaken a number of audits on the systems and processes used in providing services to Northampton Borough Council during 2016/17. The nature and scoping of those audits has been developed following a number of regular joint meetings between LGSS internal audit and finance staff, and PwC internal audit to ensure that appropriate coverage is maintained between the two internal auditors.

3.1.2 The report provides substantial assurance (highest rating) to the Audit Committee in terms of both control and compliance in every area reviewed except for one where compliance is good but needs to be more consistent. The details of the audits undertaken are contained in the attached report.

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

Internal Audit Report
*Assurance Opinions on Key Financial
Systems 2016/17*

DUNCAN WILKINSON, HEAD OF INTERNAL AUDIT

15 May 2017

Assurance Opinions on Key Financial Systems 2016/17

Many financial activities transferred from Northampton Borough Council to LGSS during the 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 relating to LGSS functions, whilst PwC would continue to audit those aspects which remain in the direct control of the council. This approach has been used each year and we have worked with PwC to plan and undertake our work to enable us to provide the assurance opinions, whilst minimising duplication of work.

We have now finalised our work to provide these 3rd party assurances to Northampton Borough Council on the controls in key financial systems now operated by LGSS. This report sets out the results. For 2016-17, we now provide two assurance levels for each audit, one in respect of the control environment and the other in respect of compliance. The assurance levels are based upon the definitions in Appendix A. The results of the audits are summarised in the Table One.

Table One Overall Assurance Opinions

Auditable Area	Control Environment Assurance	Compliance Assurance
Accounts Payable*	Substantial	N/A
Accounts Payable*	Substantial	N/A
General Ledger*	Substantial	N/A
Revenue and Benefits*	Substantial	N/A
Bank Reconciliations	Substantial	Substantial
ICON System Access	Substantial	Good
IBS System Access**	Substantial	Substantial
Treasury Management**	Substantial	Substantial

**Reviews focus on assessing control environment with limited compliance testing (i.e. walkthrough) meaning that it is impractical to assess compliance assurance.*

***Audit at draft report stage at the time of writing this report but the emerging opinions are included*

The detailed assurance statements for each auditable area are set out in Appendix B.

These set out the process areas included in each review and the assurance opinion on each process, leading to the overall opinions set out above.

For each process area where the assurance is less than “Substantial” we have agreed an agreed action plan of improvements for implementation by LGSS. These actions will be monitored and followed up, utilising our automated audit management processes.

APPENDIX A

CONTROL ENVIRONMENT ASSURANCE	
Assurance	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment.
Moderate	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

COMPLIANCE ASSURANCE	
Assurance	Definition
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Moderate	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

APPENDIX B

Northampton Borough Council (NBC)

Third Party Assurance – Accounts Payable 2016/17

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Risk Area	Assurance opinion
Supplier Account Setup	Substantial
Amendments to existing Supplier Accounts	Substantial
Requisition Creation and Approval	Substantial
Goods Receipt Processing	Substantial
Invoice Processing	Substantial
Payment Run	Substantial
User Access	Substantial
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

Details of findings and assurance opinions

Supplier Account Setup – Substantial Assurance

We walked through the supplier set up process included authorisation arrangements and concluded that there are appropriate processes and controls in place over this function. This walkthrough has also confirmed that the controls covered in the 2015/16 audit have been tested and continue to operate in 2016/17.

Supplier Account Amendments – Substantial Assurance

We walked through the supplier amendment process and concluded that there are appropriate processes and controls in place over this function. Further to the above, all the recommendations raised following our previous review in 2015/16 following weaknesses identified in particular regarding changes to supplier bank accounts have been implemented and actioned.

Requisition Creation and Approval – Substantial Assurance

We walked through the requisition creation and approval processes and noted that there are appropriate processes and controls in place for both these functions. This

walkthrough has also confirmed that the controls covered in the 2015/16 audit have been tested and continue to operate in 2016/17.

Goods Receipt Processing – Substantial Assurance

We walked through the goods receipt process with LGSS involvement limited to user access responsibilities. The process in 2016/17 has been tested and is unchanged from the previous year – 2015/16.

Invoice Processing – Substantial Assurance

We walked through the invoice processing function and conclude that there are appropriate processes and controls in place over this function. The process in 2016/17 has been tested and is unchanged from the previous year – 2015/16.

Payment Run – Substantial Assurance

We walked through the BACS and Cheque payment run processes and concluded that there are appropriate processes and controls in place over both these functions. We identified a few issues regarding where the controlled cheque stock stationery will be stored during Phase one of the officer move from John Dryden House to the Guildhall. At the audit review date and pre-move, these issues had been resolved and we were satisfied that the additional controls put in place and agreed upon by Management to address the risks were adequate. With the exception of the issues identified regarding the office move, the process in 2016/17 has been tested and is unchanged from the previous year – 2015/16.

User Access – Substantial Assurance

We walked through the User Access responsibility function and concluded that there are appropriate processes and controls in place over this process. The process in 2016/17 has been tested and is unchanged from the previous year – 2015/16.

Northampton Borough Council (NBC)
Third Party Assurance – Accounts Receivable 2016/17

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Risk Area	Assurance opinion
Set up of New Customers	Substantial
Amendments to Customer Accounts	Moderate
Direct Debit set up; payment run and rejected / cancelled of direct debits	Substantial
Raising Invoices	Substantial
Receipt of Payments	Substantial
Credit Notes / Cancellation of invoices	Substantial
Debt Recovery and Write off	Substantial
User Access	Substantial
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

Details of findings and assurance opinions
Set up of New Customers – Substantial Assurance

Customer creation is an Agresso Self Service function and therefore any NBC employee can commence the process of setting up a new customer account. However, prior to the customer being available for selection, it requires approval from LGSS Exchequer. We walked through the ‘customer approval’ process and concluded that there are appropriate processes and controls in place over this function.

Amendments to Customer Accounts – Moderate Assurance

We walked through the process for making an amendment to an existing customer account and noted the following weaknesses:

- 1) On the sample selected as part of our tests, the Customer contacted an LGSS Exchequer Officer directly through the LGSS officer’s work email address – requesting the account to be changed; and

- 2) The change was actioned by LGSS Exchequer without a customer amendment form being completed.

According to the Council's documented procedures, to make an amendment to a customer account, an NBC Agresso service user is required to submit an online request via the LGSS Exchequer e-mail address and attaching an Accounts Receivable Amendment Form noting changes. Following our walkthrough test, we found that the above procedures were not complied with.

Further to the above, if a customer contacts LGSS Exchequer directly – either by email or telephone requesting a change to an account, a standard letter should be submitted requesting:

- The customer to contact their NBC point of contact – which will be an NBC officer within a service user department; and
- The Agresso Service User to complete a Customer Amendment Form.

With the exception of the issues identified above, the process in 2016/17 has been tested and is unchanged from the previous year – 2015/16.

Direct Debit – Substantial Assurance

We walked through the customer direct debit set up process through to cash receipting including the cancellation and rejection of direct debits and noted that there are appropriate processes and controls in place over these functions. We can also confirm that the processes and controls in 2016/17 have been tested and are unchanged from the previous year 2015/16.

Raising Invoices – Substantial Assurance

Any NBC employee that is required to raise sales requisitions as part of their duties, and has been set up on Agresso to do so, can raise a sales requisition. Once the requisition has been approved by the line manager, a sales order is generated. The order is processed through workflow requiring approval by LGSS Exchequer prior to becoming a sales invoice and then dispatched. We walked through the LGSS related process and can confirm that there are appropriate processes and controls in place over these functions. This walkthrough has also confirmed that the controls covered in the 2015/16 review have been tested and continue to operate in 2016/17.

Receipt of Payments – Substantial Assurance

We walked through the 'receipting payment' process including batch receipting and the Jade Security Services Ltd collection of receipts for banking. No weaknesses were

identified. This walkthrough has also confirmed that the controls covered in the 2015/16 review have been tested and continue to operate in 2016/17.

Credit Notes / Cancellation of invoices – Substantial Assurance

Any NBC employee that is required to raise sales requisitions as part of their duties, and has been set up on Agresso to do so, can raise a sales requisition. Only the officer who raised the sales requisition initially can raise a sales credit note. When the credit note requisition is approved by the line manager, it is processed through workflow prior to LGSS Exchequer final check and approval. Our testing involved a walkthrough of the credit note process from the point of LGSS involvement and confirmed that no weaknesses have been identified. We can also confirm that the controls covered in the 2015/16 review have been tested and continue to operate in 2016/17.

Debt Recovery and Write off – Substantial Assurance

We walked through the debt recovery and write off processes and noted that there are appropriate processes and controls in place over these functions. Further to the above, and as part of the 2016/17 review, we also followed up on the implementation of recommendations raised during the 2015/16 review. We are satisfied that all the recommendations raised during our previous review in this area, have been implemented and actioned.

User Access – Substantial Assurance

We walked through the user access process ensuring that access responsibilities were allocated to appropriate officers. Our testing also involved checking that the requisitioners, approvers and the debt write-off officer as identified in the process areas above had the appropriate user access. No issues and / or weaknesses were identified.

Northampton Borough Council (NBC)
Third Party Assurance – LGSS General Ledger (GL) 2016/17

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Risk Area	Assurance opinion
Access to GL	Substantial
Journals / Virements	Substantial
General Control Environment	Substantial
Coding Structure	Substantial
Feeder Systems	Substantial
Access and Data Security	Substantial
Reconciliations	Substantial
VAT	Substantial
Overall Level of Assurance	Substantial

Where testing and systems reviews have identified areas requiring further improvements these will be discussed with LGSS management and suitable actions will be agreed.

Details of findings and assurance opinions
Access to GL – Substantial Assurance

We walked through the GL access process and noted that the following weakness. A monthly report of officers who have access to GL functionalities are produced and reviewed by the system owner. This report is sent to the key team leaders on a monthly basis for checking and review. A review of the February 2017 email sent to Finance identified the following issues:

- A monthly email together with a User Access Report is sent from Systems to HR, Payroll and Finance for review to ensure access rights remain the same or has not changed. Although the recipients of the email (in this instance only) were aware what was required of them, there were no instructions on the email specifying what the requirements were. If the current team leader leaves their current employment or a new team leader is appointed, existing tasks may not be undertaken.
- It was also noted that the email as noted above was sent from an individual's work email address i.e. an individual who worked within the systems team and not from the System Team's generic email address. While we are not particularly concerned with what email address is used to send the report, our concern is, if any issues have been identified with the report initially submitted, any replies

may automatically be sent to the email address that was used to send the initial email rather than the systems team generic email address. There is a risk if that officer is off work, any updates and or changes may not be made or it may not be made on a timely basis.

Notwithstanding the issues identified above, we found that on this walkthrough test, GL access reports were sent to relevant managers as required and that they were being checked.

Journals / Virements - Substantial Assurance

We walked through the Journal / Virement process including the authorisation arrangements. No issues have been identified. We can therefore confirm that the controls covered in the 2015/16 review continue to operate in 2016/17.

General Control Environment - Substantial Assurance

We walked through the GL general control environment process including the timetable for key maintenance tasks. No issues have been identified. We can therefore confirm that the controls covered in the 2015/16 review continue to operate in 2016/17.

Coding Structure - Substantial Assurance

We walked through the GL general coding structure. No issues have been identified. We can therefore confirm that the controls covered in the 2015/16 review continue to operate in 2016/17.

Feeder Systems - Substantial Assurance

We walked through the process when data is submitted to Agresso via the feeder systems and the processing controls that exist to ensure that all information submitted is correct and complete. Our testing showed that control totals were produced and reconciled and no issues have been identified. We can therefore confirm that the controls covered in the 2015/16 review continue to operate in 2016/17.

Access and Data Security - Substantial Assurance

We walked through the GL access and data security processes and no issues have been identified. We can therefore confirm that the controls covered in the 2015/16 review continue to operate in 2016/17.

Reconciliations – Substantial Assurance

We walked through the reconciliation processes between accounts receivable and accounts payable to the general ledger for February 2017 to ensure that monthly reconciliations are undertaken and that any unreconciled balances are investigated and cleared. No issues have been identified. Further to the above, and as part of the 2016/17 review, we also followed up on the implementation of recommendations raised during the 2015/16 review. We are satisfied that all the recommendations raised during our previous review in this area, have been implemented and actioned.

VAT - Substantial Assurance

We walked through the VAT process in terms of:

- Ascertaining what expertise and guidance there is available;
- Ensuring that VAT returns are undertaken / submitted on a monthly basis and that these are checked and signed off prior to submission;
- Checked that VAT control accounts are reconciled and cleared on a monthly basis;
- Agreed VAT payment / refund to bank statement on sample tested.

We concluded that appropriate processes and controls were in place over this function.

Northampton Borough Council (NBC)
Third Party Assurance – Revenues and Benefits 2016/17

We have undertaken a review of the controls in operation over the Revenues and Benefits systems. As agreed in the audit plan this was an audit of the high level controls over Council Tax, NNDR and Housing Benefits; it was not a detailed review of each of these systems but does give assurance that the key risks relating to the operation of these services are subject to appropriate controls. The table below provides a breakdown of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

Risk Area	Assurance opinion
Council Tax	
Periodic reconciliation of Council Tax system to the Valuation Agency Listing	Substantial
Periodic reconciliation of the Council Tax system to cash receipting system	Substantial
Independent Reviews of exceptions, e.g. banding changes, suppressed accounts, overpayments and refunds.	Substantial
Periodic reconciliation of Council Tax system to the general ledger	Substantial
Reconciliation of the gross Council Tax debit to the number of properties	Substantial
Periodic production and independent review of Council Tax arrears and credit reports.	Substantial
NNDR	
Periodic reconciliations between the Authority's records and Valuation Office listings	Substantial
Periodic reconciliation of the NNDR system to cash receipting system	Substantial
Independent reviews of exceptions; e.g. suppressed accounts, overpayments and refunds.	Substantial
Periodic reconciliation of NNDR system to the general ledger	Substantial
Periodic production and independent review of arrears and credit reports.	Substantial
Housing Benefits	
Periodic reconciliation of benefit system to the Ledger	Substantial
Periodic reconciliation of benefit system to payments made.	Substantial
Management oversight of the implementation of changes to legislation.	Substantial
Overall Level of Assurance	Substantial

Whilst we are able to give substantial assurance over the operation of these high level controls, we did identify areas where the documentation of reconciliations and allocation of responsibilities for these would benefit from greater clarity. The Revenues Manager has agreed to take forward the detail of these findings and work with colleagues to develop practical solutions and process enhancements.

Council Tax

We documented and reviewed the operation of high level controls in the Council Tax system. The high level controls included in the review were as follows:

- Periodic reconciliation of Council Tax system to the Valuation Agency Listing
- Periodic reconciliation of the Council Tax system to cash receipting system
- Independent Reviews of exceptions, e.g. banding changes, suppressed accounts, overpayments and refunds.
- Periodic reconciliation of Council Tax system to the general ledger
- Reconciliation of the gross Council Tax debit to the number of properties
- Periodic production and independent review of Council Tax arrears and credit reports.

Our audit confirmed the operation of these controls in 2016/17.

Business Rates (NNDR)

We documented and reviewed the operation of high level controls in the NNDR system. The high level controls included in the review were as follows:

- Periodic reconciliations between the Authority's records and Valuation Office listings
- Periodic reconciliation of the NNDR system to cash receipting system
- Independent reviews of exceptions; e.g. suppressed accounts, overpayments and refunds.
- Periodic reconciliation of NNDR system to the general ledger
- Periodic production and independent review of arrears and credit reports.

Our audit confirmed the operation of these controls in 2016/17.

Housing Benefits

We documented and reviewed the operation of high level controls in the Housing Benefits system. The high level controls included in the review were as follows:

- Periodic reconciliation of benefit system to the Ledger
- Periodic reconciliation of benefit system to payments made.

- Management oversight of the implementation of changes to legislation.

Our audit confirmed the operation of these controls in 2016/17.

Northampton Borough Council (NBC)
Third Party Assurance – LGSS Bank Reconciliation 2016/17

The table below provides a breakdown of the level of assurance given for each of the risk areas identified, based upon testing of LGSS:

Risk Area	Control Environment	Compliance
Timeliness of reconciliations	Substantial	Substantial
Accuracy of reconciliations	Substantial	Substantial
Timely clearance and reporting of unreconciled items	Good	Good
Overall Level of Assurance	Substantial	Substantial

In October 2016, NBC changed their bankers from HSBC to Barclays. The four bank accounts with HSBC remain open for a transition period and they continue to be reconciled as well as the new Barclays accounts.

Details of testing and findings
Timeliness of reconciliations

Testing was undertaken on the May and November 2016 Primary, Benefits, Credit Suspense and Special Interest HSBC bank account reconciliations to confirm if they had been completed and reviewed in a timely manner. Similar testing was also completed on the November 2016 Barclays bank account reconciliations for the same four accounts.

The testing confirmed that adequate controls are in place for this process. Bank reconciliations had been completed on a timely basis and had been reviewed by an LGSS signatory.

Accuracy of reconciliations

The accuracy of reconciliations was tested for the May and November 2016 Primary, Benefits, Credit Suspense and Special Interest HSBC bank account reconciliations. Similar testing was also completed on the November 2016 Barclays bank account reconciliations for the same four accounts. No issues were identified, with all these reconciliations found to be fully and accurately completed.

Documented procedures are in place and adequate cover / resilience is available to ensure a reliable service for the completion of NBC bank reconciliations.

Timely clearance and reporting of unreconciled items

Testing confirmed that unreconciled items on the bank accounts are monitored and reported appropriately but actions taken to resolve these items is not always sufficiently robust to get them cleared in a timely manner. The number of outstanding unreconciled items over 6 months old has increased between 31 May 2016 and 30 November 2016 on both the HSBC Primary account (from 2 to 14, with a net value of £5,162.98) and the HSBC Benefits account (from zero to 6, with a net value of £43,363.06).

Timely action has not been taken to deal with items relating to out of date cheques on the Benefits bank account. On the reconciliation at the end of November 2016, there were 15 unreconciled items relating to unpresented cheques that were over 6 months old (13 of these were over 9 months old and 8 were over 12 months old).

To address this control weakness, the following actions have been agreed:

1. LGSS manager will sign off reconciliations to ensure that adequate action is being taken to get all unreconciled items cleared in a timely manner (maximum of 6 months), escalating issues if other sections are not supporting resolution.
2. Appropriate action will be taken in order to clear all outstanding unreconciled items which exceed a six month period.
3. Unpresented cheques, older than 6 months, to be cancelled on a timely basis.

Northampton Borough Council (NBC)

Third Party Assurance – ICON Access Controls

In their 2015/16 ISA260 report, the external auditors made recommendations in relation to the control of access to the ICON and IBS systems which are feeder systems to the general ledger for the production of the annual accounts.

As part of the third party assurance for 2016/17 it was agreed that LGSS Internal Audit would review the access controls and in particular the implementation of the agreed management actions arising from the ISA260 report. This work has been completed and the results are set out below.

The table below provides a breakdown of the level of assurance given for each of the risk areas identified, based upon testing of LGSS:

Risk Area	Control Environment	Compliance
ICON Access - Starters	Substantial	Substantial
ICON Access – Leavers	Good	Moderate
Overall Level of Assurance	Substantial	Good

Details of findings

ICON

Testing in 2015/16 identified that 12 former staff were on user the list, of which five were disabled and seven still active users. **The management response to this issues was that staff responsible for maintaining user access to the ICON system have incorporated a review and disablement of users who have left into their routine monthly processes linking with the HR and Payroll teams.** We have followed up the implementation of this management action and reviewed the access controls operating on the ICON system to assess both control environment design and compliance.

ICON Access – Starters

We reviewed a sample of users and testing confirmed that there is an adequate process for requesting and authorising access to the ICON system and this is being complied with.

ICON Access – Leavers

Our review confirmed that the change agreed by management in the ISA 260 report was implemented in October 2016. The new control as designed provides an appropriate control over the removal of leavers from access to the ICON system. We

noted, however, that the application of the new control has been inconsistent in the period since implementation. The November and December reports of leavers were not produced until March 2017. We have, nevertheless confirmed that all leavers identified on these reports have been removed from access to the ICON system.

A recommendation has been agreed to implement a consistent, regular routine of receiving and processing leaver reports should be kept under review until it proves to be business as usual.

Northampton Borough Council (NBC)

Third Party Assurance – IBS Access Controls

In their 2015/16 ISA260 report, the external auditors made recommendations in relation to the control of access to the ICON and IBS systems which are feeder systems to the general ledger for the production of the annual accounts.

As part of the third party assurance for 2016/17 it was agreed that LGSS Internal Audit would review the access controls and in particular the implementation of the agreed management actions arising from the ISA260 report. This work has been completed and the results are set out below.

The table below provides a breakdown of the level of assurance given for each of the risk areas identified, based upon testing of LGSS:

Risk Area	Control Environment	Compliance
IBS Access - Starters	Substantial	Substantial
IBS Access – Leavers	Good	Substantial
Overall Level of Assurance	Substantial	Substantial

Details of findings

IBS:

Testing by external audit in 2015/16 identified that 14 former staff had active accounts. **The management response to this issue was that timely leaver forms needed to be completed and cascaded to the relevant departments had now been implemented.** We have followed up the implementation of this management action and reviewed the access controls operating on the IBS system to assess both control environment design and compliance.

IBS Access – Starters

A new eform process for access to the IBS system was introduced in October 2016. By design the new process incorporated a manual email notification to the requesting manager to confirm they had made the request, with this email evidence being retained on Sharepoint. Our testing found that whilst the e-form process was working effectively, this email evidence was not consistently retained. It is recommended that consideration should be given to automating the email confirmation to managers and then dispensing with the retention of copies of these emails.

IBS Access - Leavers

Removal of users from access to the IBS system is reliant on Line managers notifying Housing Systems team. The access is, however, linked to the network access as users sign on through a single sign on. The leavers for November and December were therefore tested for access to both the IBS system and Active Directory. This confirmed that no leavers had retained access to the IBS system.

By design this Active Directory leaver process does not link to leavers from the payroll system and is reliant on manager notification. In practice this, combined with the removal of users inactive for 60 days was found to have been effective in removing all leavers. It would not, however, identify any user accounts which continued to be used after the user left where the manager failed to notify the IT helpdesk.

It is recommended that the payroll leavers report used to check ICON users for removal from that system should also be used to identify users for removal from Active Directory.

Northampton Borough Council (NBC)
Third Party Assurance – LGSS Treasury Management 2016/17

The table below provides a breakdown of the level of assurance given for each of the risk areas identified, based upon testing of LGSS:

Risk Area	Control Environment	Compliance
Strategy and Policy	Substantial	Substantial
Management of Surplus Funds	Substantial	Substantial
Maximising Returns and Balancing Risk	Substantial	Substantial
Documentary Evidence and Authorisation	Substantial	Substantial
Performance Monitoring and Reporting	Substantial	Substantial
Overall Level of Assurance	Substantial	Substantial

Details of testing and findings

The Council has a Treasury Management & Investments strategy / policy which is regularly reviewed and approved by members.

Audit testing confirmed that the Treasury Management Strategy is updated annually and presented to members for approval as part of the annual budget setting process, the 2016/2017 strategy was approved by Council in February 2016.

The Council manages its funds in an orderly and efficient manner and only lends surplus funds to appropriate organisations.

Testing confirmed effective processes were in place for the Treasury activity which is administered on Treasury Live and updated on a daily basis. Decisions on dealing to invest surpluses or arrange short or medium term borrowing are made based on detailed intelligence. Testing confirmed that investments were only made with approved Counter Parties.

The Council maximises returns on surplus funds balancing security, liquidity and risk.

A review of the Treasury Management strategy confirmed that the council uses Capita Asset Services to review the creditworthiness of parties that it wishes to invest with and is provided with investment advice by them. The parameters for the maximum level of investment and duration with each organisation is set. Updated lists were provided weekly by Capita or notifications are provided daily if significant risks are identified.

All transactions are supported by adequate documentary evidence.

Testing of the five deals confirmed that documentary evidence was on file to support all of the items tested and these demonstrated the checking and authorisation procedures that had been followed and also that appropriate procedures and controls were in place to reduce the risk of error or fraud.

There are performance monitoring, review and reporting arrangements in place.

An annual outturn report and quarterly reports are provided to Cabinet and Council. These included details in the Treasury Management Strategy, quarterly monitoring reports, a mid year report and an out turn report each year.

Local performance on investments is measured against the LIBID (London interbank bid rate) and for 2016/2017 it is exceeding this rate.