

Public Document Pack

Bill Cullen MBA (ISM), BA(Hons) MRTPI
Chief Executive

Date: 04 October 2017



**Hinckley & Bosworth
Borough Council**

To: Members of the Audit Committee

Mr RB Roberts (Chairman)
Mrs R Camamile
Mr DS Cope
Mrs L Hodgkins
Mr MR Lay

Mr KWP Lynch
Mr BE Sutton
Miss DM Taylor
Mr HG Williams
Ms AV Wright

Copy to all other Members of the Council

(other recipients for information)

Dear member,

There will be a meeting of the **AUDIT COMMITTEE** in the De Montfort Suite, Hinckley Hub on **THURSDAY, 12 OCTOBER 2017 at 6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Owen'.

Rebecca Owen
Democratic Services Officer

AUDIT COMMITTEE - 12 OCTOBER 2017

A G E N D A

1. APOLOGIES AND SUBSTITUTIONS
2. MINUTES OF PREVIOUS MEETING (Pages 1 - 2)
To confirm the minutes of the previous meeting.
3. ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES
To be advised of any additional items of business which the Chairman decides by reason of special circumstances shall be taken as matters of urgency at this meeting (to be taken at the end of the agenda)
4. DECLARATIONS OF INTEREST
To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the agenda.**
5. QUESTIONS
To hear any questions received in accordance with Council Procedure Rule 12.
6. CORPORATE GOVERNANCE & RISK MANAGEMENT INTERNAL AUDIT REPORT 2017/2018 (Pages 3 - 22)
Report of the Internal Auditor.
7. FINANCE CONTINUOUS AUDITING Q1 (Pages 23 - 24)
Finance continuous auditing report for Quarter 1.
8. INTERNAL AUDIT PROGRESS REPORT 2017/18 (Pages 25 - 42)
Progress report for 2017/2018.
9. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY
As announced under item 3 above.

Agenda Item 2

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

AUDIT COMMITTEE

24 AUGUST 2017 AT 6.30 PM

PRESENT: Mr RG Allen - Chairman

Mr DC Bill MBE (for Mrs L Hodgkins), Mrs R Camamile, Mr MR Lay, Mr KWP Lynch, Miss DM Taylor and Mr HG Williams

Members in attendance: Councillor Mr MA Hall

Officers in attendance: Rebecca Owen and Ashley Wilson

Also in attendance: Representatives of Ernst & Young LLP

118 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillors Hodgkins, Roberts and Wright with the substitution of Councillor Bill for Councillor Hodgkins authorised in accordance with council procedure rule 10.

119 MINUTES OF PREVIOUS MEETING

It was moved by Councillor Camamile, seconded by Councillor Lynch and

RESOLVED – the minutes of the meeting held on 22 June be confirmed and signed by the chairman.

120 DECLARATIONS OF INTEREST

No interests were declared at this stage.

121 AUDIT RESULTS REPORT

In presenting his report, the external auditor stated there were no significant control issues or risks. It was moved by Councillor Camamile, seconded by Councillor Lynch and

RESOLVED – the report be approved.

122 STATEMENT OF ACCOUNTS

The committee received the audited financial statements for 2016/17 along with the Annual governance statement. It was reported that the largest amendment had been in respect of the HRA property valuation as a result of a discrepancy. This hadn't changed the overall outcome.

An amendment to the report was highlighted and it was noted that paragraph 3 on page 110 should read:

“As part of the annual revaluation exercise, the valuer provides estimated residual lives for all dwellings, which is used to calculate the depreciation charge for the financial year.

This method reflects the average range of expected life per dwelling of between 40 to 60 years. For 2016/17 the estimated residual life used was 46 years...”

Concern was expressed that the housing values tended to be low, and in response it was explained that they were calculated differently to private housing as they had to include a ‘social discount value’. Members were assured, however, that for insurance purposes they were insured on their full value.

It was moved by Councillor Williams, seconded by Councillor Camamile and

RESOLVED –

- (i) The 2016/17 financial statements and annual governance statement be approved for publication;
- (ii) The content of management’s letter of representation to the external auditors be noted.

(The Meeting closed at 6.45 pm)

CHAIRMAN

Internal Audit Report 2017/2018

Corporate Governance & Risk Management

**Hinckley & Bosworth
Borough Council**

September 2017

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- 1. Basis of our classifications
- 2. Terms of reference
- 3. Limitations and responsibilities

Distribution list

For action: Julie Kenny - Director, Corporate Services
Cal Bellavia, Consultation and Improvement Officer
Rebecca Owen - Democratic Services Officer

For information: Audit Committee

Executive summary (1 of 3)

Report classification



Low Risk (2 points)

Page 5

Trend



Performance has remained the same as in the prior year (2016/17: Low Risk)

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	0	0	0	0	0
Operating effectiveness	0	0	0	2	0
Total	0	0	0	2	0

Note: an additional finding was identified but since it has already been addressed by the Council it has not been included in the figures above.

Executive summary (2 of 3)



Headlines/summary of findings

The Council has in place a Risk Management Framework which sets out responsibilities of individual officers for risk and the processes by which risks are assessed and monitored. Risks are recorded on the ‘TEN’ performance management system, which also holds details of service improvement plans and performance indicators.

This year we have been able to use a more data driven approach towards risk management and corporate performance reporting which has allowed us to review all risks and service improvement plans recorded on the TEN system. Whilst some issues have been noted, as summarised below, the fact that we have reviewed 100% of the population provides us with assurance that the scale of the issues are limited and relates primarily to housekeeping rather than any serious issue in risk management and corporate governance.

This review looked in detail at the arrangements surrounding management of risks, corporate performance reporting and delegated decisions at the Council. The outcome is a report with a low risk rating, as there were two low risk findings:

- **Risk management and mitigating actions (low risk):** testing of all 108 risks identified that: 22 risks had not been reviewed during Q1 and one risk did not have a risk owner assigned;
- **Corporate performance reporting (low risk):** testing of all 82 service improvement plans (SIPs) identified that: 3 SIPs had not been reviewed during Q1, 1 SIP had no target date and 20 SIPs had no review date recorded; and
- **Delegated decisions (already actioned):** the Council aims to publish online all delegated decisions taken within 28 days. A lack of resources in the team meant that five of our sample tested had significant delays in publication of between 56 and 139 days. Since additional staff have been recruited the situation has improved and the remaining five in our population were published within, on average, 1 day.

Whilst the number of issues remains largely consistent with last year, the actual number of instances identified may appear higher than in previous years, specifically around risk management and mitigating actions. This is a result of a change in our testing approach, which this year has tested 100% of the population.

Executive summary (3 of 3)



Headlines/summary of findings

Our testing and walkthroughs identified that the process around the publication of delegated decisions is well understood and testing demonstrated it to be well implemented. There is an inherent risk around the completeness of the published decisions and the process requires all delegated decisions to be reported to the Democratic Services Officer. This is a common problem across other Councils and there is no efficient control which can be implemented to address this risk. However, we do not have any specific concerns at the Council as the number of delegated decisions appears appropriate and the process is well communicated.

There are appropriate procedures in place for Corporate Governance and Risk Management. On the whole, the process has been implemented effectively. The issues identified are largely around the effectiveness of the process and implementation of the recommended actions would strengthen the process and improve overall compliance with the defined Risk Management Framework currently in place.

We would like to thank all the staff involved for their help in supporting the internal audit review.

Current year findings (1 of 4)

Risk Management and Mitigating Actions Review

Operating Effectiveness

1

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Finding and root cause

The Council maintains the TEN system to keep a record of all risks across the Corporate and Service risk registers. All risks should be reviewed and updated by the allocated risk manager on a quarterly basis. A review of all risks across both risk registers (108 in total) was performed as at August 2017 and the following findings have been noted:

- 1 high rated risk had not been recently reviewed. It was last reviewed on 31 March 2017;
- 12 moderate rated risks had not been recently reviewed. The last reviewed dates range from 10 January 2017 to 24 April 2017;
- 9 low rated risks had not been recently reviewed. The last reviewed dates range from 24 January 2017 to 20 April 2017; and
- 1 risk did not have a risk owner assigned.

Implications

Risks are not being reviewed on a timely basis. Therefore mitigating actions may not be appropriate to address the identified risk.

If a risk does not have an owner assigned, no-one has responsibility for ensuring the actions are undertaken.

Action plan

Risk owners should be reminded that all risks should be reviewed on at least a quarterly basis to ensure that the mitigating actions are appropriate.

Once a risk and its mitigating actions have been identified, the risk should be assigned to a risk owner to enable appropriate monitoring and review.

Responsible person/title:

Cal Bellavia (Consultation and Improvement Officer)

Target date:

December 2017

Finding rating

Rating

Low

Current year findings (2 of 4)

Corporate Performance Reporting

Operating Effectiveness

2

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Finding and root cause

The Council maintains the TEN system to keep a record of all Strategic Implementation Plans (SIPs) that have been put in place to help deliver the Corporate Plan. The SIPs should be updated quarterly to identify if they are on track. A review of all SIPs which are designed to deliver the Corporate plan (82 in total) was performed as at August 2017 and the following findings have been noted:

- 3 SIPs has not been updated during Q1;
- 20 SIPs did not have a review date; and
- 1 SIP did not have a target implementation date.

Implications

SIPs are not being reviewed on a timely basis. Therefore progress against the SIPs and delivery of the Corporate plan may not be being monitored appropriately.

If SIPs do not contain a target date, progress can not be adequately monitored.

Action plan

SIP owners should be reminded that all SIPs should be reviewed on at least a quarterly basis to ensure that progress against the SIP has been adequately captured and reported.

All SIPs should contain a target date when they are uploaded to TEN to ensure adequate monitoring can take place.

Responsible person/title:

Cal Bellavia (Consultation and Improvement Officer)

Target date:

December 2017

Finding rating

Rating

Low

Current year findings (3 of 4)

Delegated Decisions

Control Design

Page 10

3

Finding and root cause

The Democratic Services Officer publishes the delegated decisions online and aims to do so within 28 days. Testing demonstrated that 5 of the 10 delegated decisions had not been published within the 28 day timeframe. The five decisions were published between 56 and 139 days after the decision was taken.

A discussion with the Democratic Services Officer has identified that this was a known issue and additional resource was introduced into the team in May 2017 to address this issue. Since then performance has improved and the remaining 5 decisions were published, on average, within 1 day. It is pleasing to see that the Council has already identified the issue and taken appropriate action to address the issue on a timely basis.

Implications

Potential breach of constitution as delegated decisions are not published within a reasonable time period, currently set at 28 days.

Action plan

Testing has shown that more recent decisions have been published within a reasonable time period which provides evidence that the problem has already been resolved by the team therefore no further specific action is required.

Responsible person/title:

Rebecca Owen (Democratic Services Officer)

Target date:

Already actioned



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendices

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Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- **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

A finding that could have a:

- **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

A finding that could have a:

- **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.

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:





- **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

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

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

Findings rating	Points	Report classification	Rating	Points
Critical	40 points per finding		Low risk	6 points or less
High	10 points per finding		Medium risk	7 – 15 points
Medium	3 points per finding		High risk	16 – 39 points
Low	1 point per finding		Critical risk	40 points and over

Appendix B: Terms of reference

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Background and audit objectives



This review is being undertaken as part of the 2017/18 internal audit plan approved by the Audit Committee.

Background and audit objectives

Hinckley and Bosworth Borough Council has a responsibility for ensuring that there is a sound system of Corporate Governance which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk and performance reporting.

The Council has an updated Corporate Plan, for 2017 – 2021, which focuses on the three priority ambitions: people, places and prosperity. The Council uses the TEN performance management system to monitor performance and this review will assess the current process and success in delivering the strategic objectives in the context of the new Corporate Plan.

The objective of risk management is to:

- Identify risks to the achievement of the organisation's objectives;
- Identify controls and other action which mitigate risks;
- Ensure emerging risks are identified and escalated; and
- Enable reporting to Council on the scale and nature of risk, and changes to the profile of risk over time.

Typically, risk management is exercised through risk registers and an awareness of risk throughout an organization. The Council's current risks and mitigating actions are reported quarterly to the Finance and Performance Scrutiny Committee.

The Local Government Act 2000 and associated regulations require that the majority of Council functions are discharged by its Executive. Executive functions may also be delegated to officers of the Council. Where functions are delegated by Council or Executive to the senior officers, they may further delegate to a relevant officer in writing. The exercise of delegated powers is at the discretion of the relevant officer, who may refer any matter which he/she has authority to determine to the relevant Committee or Executive or Executive Member. Periodically, the Council publishes where delegated decisions have been taken and needs to ensure it has adequate processes in place to ensure the completeness of this information.

Audit scope and approach (1 of 2)



Scope

We will review the design and operating effectiveness of key controls in place relating to the auditable unit during the period April 2017 to the date of audit fieldwork.

The sub-processes, risks and related control objectives included in this review are:

Sub-process	Risks	Objectives
Risk Management	<ul style="list-style-type: none"> Without risk management there is a concern that the Council will be vulnerable to threats. 	<ul style="list-style-type: none"> All risks are regularly monitored and mitigation measures updated as necessary The risk register is reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level.
Corporate performance reporting	<ul style="list-style-type: none"> The Council fails to achieve its Corporate Plan 	<ul style="list-style-type: none"> The Council has in place appropriate processes to measure and report on corporate performance and delivery of the revised Corporate Plan Current performance is monitored and reported at a corporate level. Reporting is comparable with other Local Authorities.
Delegated decisions	<ul style="list-style-type: none"> Action taken by the Council is not in compliance with the constitution 	<ul style="list-style-type: none"> The Council has in place appropriate processes to ensure that all actions taken using delegated authority are recorded and published in line with constitution There is consistency in the application of delegated powers across the organisation

Audit scope and approach (2 of 2)



Limitations of scope

The scope of our work will be limited to those areas outlined above. Our review will be performed in the context of the information provided to us.

Performance reporting will focus on the corporate level performance monitoring and not consider reporting undertaken within individual services. The scope of this review will not consider the quality of data included in the performance reporting.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the auditable unit through discussions with key personnel and review of systems documentation;
- Identify the key risks of the auditable unit;
- Evaluate the design of the controls in place to address the key risks; and
- Test the operating effectiveness of the key controls.

Internal audit team and key contacts



Internal audit team

Name	Role	Contact details
Richard Bacon	Head of Internal Audit	richard.f.bacon@pwc.com
Jodie Stead	Internal Audit Manager	jodie.a.stead@pwc.com
TBC	Internal Audit Team Member	TBC

Key contacts – Hinckley and Bosworth Borough Council

Name	Title
Ashley Wilson	Section 151 Officer
Julie Kenny	Director, Corporate Services
Cal Bellavia	Consultation and Improvement Officer
Rebecca Owen	Democratic Services Officer

Timetable and information request



Timetable

Fieldwork start	14/08/2017
Fieldwork completed	18/08/2017
Draft report to client	08/09/2017
Response from client	15/09/2017
Final report to client	22/09/2017

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request.
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.

Please note that if Hinckley and Bosworth Borough Council requests the audit timing to be changed at short notice and the audit staff cannot be deployed to other client work, Hinckley and Bosworth Borough Council may still be charged for all/some of this time. PwC will make every effort to redeploy audit staff in such circumstances.

Information request

- Latest versions of the Council's risk registers and performance reports
- Access to reports provided to senior officers and members including risk and performance reporting
- Listing of all delegated decisions taken since April 2017

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

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 is for the period specified only. Historic evaluation of effectiveness is not 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 changes; or
- The degree of compliance with policies and procedures may deteriorate.

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 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.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

This document has been prepared only for Hinckley and Bosworth Borough Council and solely for the purpose and on the terms agreed with Hinckley and Bosworth Borough Council in our agreement dated 10 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.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

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Hinckley and Bosworth Borough Council – finance continuous auditing

Quarter 1 control testing results

September 2017

Key Controls	Control description	Tested	Q1	Q2	Q3	Q4	Control design issues identified	Operating effectiveness issues identified
Changes to Suppliers	A report is generated before the payment run which outlines all of the changes made in supplier details. The report is then reviewed.	5 weekly reports	 				None identified	One report had no evidence of review Two reports did not include a date of review therefore it is not possible to establish if this review is performed on a timely basis.
Bank Reconciliations	A reconciliation is performed which reconciles the external bank account to the general ledger system.	2 months from Q1					None identified	None identified
Payroll Reconciliations	A reconciliation is performed which reconciles the general ledger system to the payroll system.	2 months from Q1	 				None identified	The April 2017 reconciliation was performed on 27/4/17, however it was not reviewed until 18/5/17
Council Tax Reconciliations	A reconciliation is performed which reconciles the general ledger system to the Council Tax system and cashbook.	2 months from Q1					None identified	None identified
NNDR Reconciliations	A reconciliation is performed which reconciles the general ledger system to the NNDR system and cashbook.	2 months from Q1					None identified	None identified *
Housing Rent Reconciliations	A reconciliation is performed which reconciles the general ledger system to the housing rent system and cashbook.	2 months from Q1					None identified	None identified
Creditors Reconciliations	A reconciliation is performed which reconciles the general ledger system to the creditors sub ledger.	2 months from Q1					None identified	None identified *
Debtors Reconciliations	A reconciliation is performed which reconciles the general ledger system to the debtors sub ledger.	2 months from Q1					None identified	None identified *
Reconciliation sign off	A log of all reconciliations performed in the month is signed off by the Finance Manager	2 months from Q1	 				None identified	There are discrepancies between the dates recorded on the reconciliation sign off sheet and the actual reconciliations reviewed.
Invoice Payment	NA	All invoices paid in Q1	NA				We are working with management to obtain the appropriate reports from business objects to assess whether purchase orders have been raised before invoice payment, when appropriate.	Testing not performed

* Date of review taken from reconciliation sign off sheet to confirm timeliness.

Key	
Purple	No issues identified
Green	Minor issues identified
Amber	Some issues identified
Red	Significant issues identified

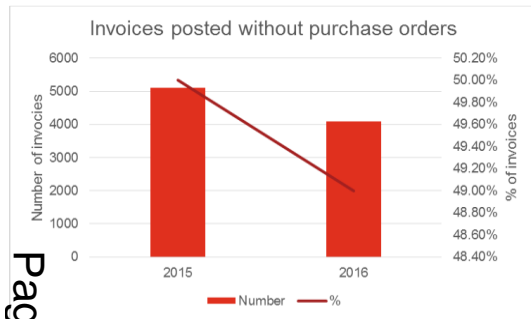
Hinckley and Bosworth Borough Council – finance continuous auditing

Insight report

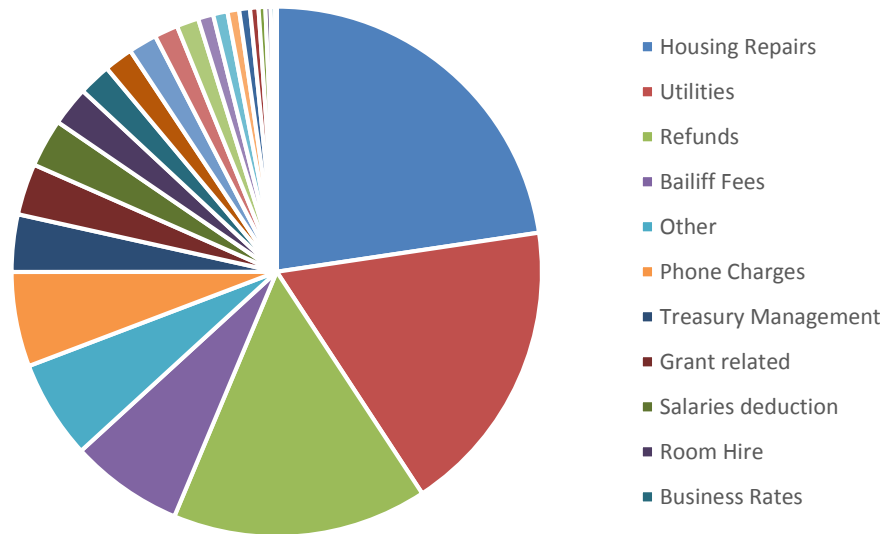
September 2017

Since we have been unable to obtain the population reports regarding purchase orders raised in the year we have not been able to perform a full data analytics exercise on the information from quarter 1.

Our prior year finance internal audit report reported from our data analysis that 4,090 invoice lines (49% of the total recorded in the period) totalling £240,802,614 were paid but did not have a purchase order recorded against them. The Council has undertaken further analysis of these invoices to determine what these invoices related to and whether it was appropriate not to have a purchase order. A summary is included below:



Invoices without purchase order - type of payment
2016-17



Top 5 types of payment without purchase orders:

Type	%	£
Housing repairs	23	1,811,589
Utilities	18	276,320
Refunds	16	8,726,344
Bailiff fees	7	36,569
Phone charges	6	1,214,791

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Internal Audit Progress Report 2017/18

*Hinckley and
Bosworth Borough
Council*

October 2017

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- B. Internal audit - Key performance indicators
- C. Analysis of days included in plan
- D. Thought leadership

Distribution list

For information: Audit Committee

Summary



Purpose of this report

We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention any other matters that are relevant to your responsibilities.

Progress against the 2017/18 internal audit plan

The draft 2017/18 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 22 June 2017. Since that date we have undertaken some reviews and met with the relevant managers to scope the planned reviews. Some changes are proposed to the plan and these are detailed later in this report.

Activity in the period



Completed reviews

We have concluded our work and issued a final report in the following areas:

- **Governance and risk management** – final report issued with a low risk rating.

Activities in the period

Work is progressing, in line with the internal audit plan, in the following areas:

- **Finance** – we have completed our fieldwork in relation to Q1 and we are finalising our report with management;
- **Legal services** – a scoping meeting has been held and a terms of reference agreed. The review is scheduled to take place on 9/10/17. Owing to operational pressures the review has been deferred until Q3; and
- Scoping meetings and discussions held with management to scope the remaining reviews planned for Q3.

Other activities in the period

Since our last progress report we have also attended the Corporate Service Management Team meeting to ensure that our plan remains appropriate and addresses the key risks which are currently faced by the Council.

We have also held discussions with the Section 151 Officer to discuss how best to re-energise the use of our trAction system to enable follow up on prior year recommendations and to ensure that the system correctly reflects the latest position in implementing recommendations.

Progress against plan (1 of 2)

Progress against 2017/18 internal audit plan

Ref	Auditable Unit	Audit days*	Q	Comments	Audit Sponsor
A Cross cutting services					
A.1	Compliance	10	Q3	Discussions underway with management about the scope of the review	Julie Kenny
A.2	Corporate governance / risk management	13	Q2	Final report issued in relation to corporate governance and risk management. Specialist support around business continuity plans will be deferred until Q3.	Julie Kenny
B Corporate Services					
B.1	Legal services	7	Q2	Review scheduled to take place 9/10/17	Aftab Razzaq
B.2	HR and transformation	8	Q4	No action yet taken	Julie Stay
B.6	Finance	15	Q3 Q1-4	Discussions underway with management about the scope of the Section 106 review. We are finalising our Q1 report with management and have planned to undertake the same scope of work will be repeated throughout the year.	Ashley Wilson
B.7	Estates and assets	10	Q3	Discussions underway with management about the scope of the review	Malcolm Evans
C Community services					
C.4	Housing options	8	Q2	A scoping meeting has been held and agreed to defer the review until later in the year owing to operational pressures.	Jo Wykes
C.5	Private sector housing	8	Q3	Discussions underway with management about the scope of the review	Rosemary Leach
C.7	Strategic and community planning	8	Q4	No action yet taken	Edwina Grant
D Environment and planning					
D.1	Environmental Health	8	Q3	Discussions underway with management about the scope of the review	Steve Merry
E Revenues and Benefits Partnership					
E1-4	Revenues and benefits partnership	12	Q3	Scoping meeting planned 6/10/17	Sally O'Hanlon



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

Progress against plan (2 of 2)



Changes to the Internal Audit Plan

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

Proposed change / additional review	Impact on planned days	Rationale for change
Legal services	0	Following discussions with management it has been requested that these reviews are undertaken later in the year owing to operational pressures.
Corporate governance – business continuity	0	
Housing options	0	



**Appendix A: Outstanding
audit actions**

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

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

**Appendix D: Thought
leadership**

Appendices

Appendix A: Outstanding audit actions

There has been a significant focus on updating the traction site to update the status of outstanding audit recommendations. The table below shows the current status and demonstrates that of the 111 recommendations there are only 28 which now remain open, some of which are not yet due. Those which are past their due date have been reported on the next page.

Audit Year	Audit Title	Recommendation Status	Total
2014	CWAS - Brought forward issues	Closed	26
		Closed subject to verification	14
		Open	5
2015	Safeguarding	Closed subject to verification	1
2016	Adult Safeguarding Policy - Control Design	Closed subject to verification	1
	Building Control	Closed subject to verification	5
	Closing the loop on referrals - control design	Open	1
	Corporate Governance and Risk Management	Closed	1
		Closed subject to verification	2
		Open	2
	Document management – control design	Closed	1
	Financial Systems	Closed subject to verification	5
		Open	1
	Housing Rents	Closed subject to verification	1
		Open	4
	Housing Repairs Follow Up	Closed subject to verification	2
		Completed	2
	Markets	Closed	2
		Open	2
Medium Term Financial Strategy	Closed subject to verification	1	

Audit Year	Audit Title	Recommendation Status	Total
2016	Revenues and Benefits	Closed subject to verification	5
	Safeguarding - Compliance with the competency framework	Closed	1
2017	Corporate Governance	Closed subject to verification	2
		Open	1
	Estates and Assets	Completed	1
		Open	4
	Finance	Closed subject to verification	2
		Open	1
	Green Waste Charge	Closed subject to verification	2
	I.T. Partnership	Closed subject to verification	1
		Open	1
	Information and cyber security review	Open	6
Revs and Bens Partnership	Completed	5	
Grand Total			111

Appendix A: Outstanding audit actions

The following table identifies internal audit recommendations which are currently overdue against their expected implementation deadline.

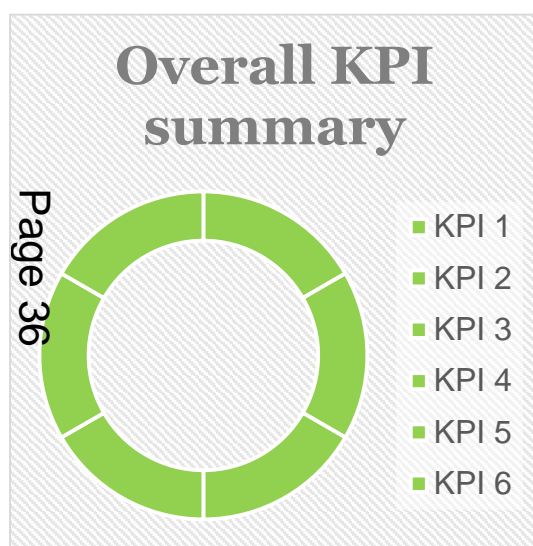
Audit	Finding heading	Finding rating	Agreed action	Responsible person	Implementation deadline	Days overdue
Safeguarding	Closing the loop on referrals – control design	Low	1) The Council will determine corporately the extent of follow up of cases required, given current capacity. 2) The Incident Reporting Checklist will be updated to document the correct process and the Incident Forms will be aligned with this. 3) Referrers will be reminded of their responsibility to provide further information to the DSO when received.	1) Sharon Stacey 2&3) Rebecca Bail	31/03/2016	504
Corporate Governance and Risk Management	Anti – money laundering policy	Medium	A standalone anti-money laundering policy will be developed. This will contain sufficient detail to ensure that officers are fully aware of their responsibilities, and will cover the points raised above.	Julie Kenny	30/09/2016	321
Corporate Governance and Risk Management	Training on fraud awareness – operating effectiveness	Low	Management should review the training provided to staff and provide additional fraud training where it is considered necessary.	Julie Kenny	01/09/2016	350
Financial Systems	Changes to supplier details are not monitored effectively – control design	Medium	The council has engaged with the software supplier generate a report detailing changes to supplier details. It will be reviewed and approved by the team leader on a weekly basis. This report will be reviewed for a reasonableness by an independent officer on a monthly basis.	Ilyas Bham	01/05/2016	473
Housing Rents	System access templates - control design	Advisory	Management should consider whether standard template starter and lever forms should be utilised to formalise the Orchard system access process. If emails continue to be used, these should be stored centrally on a shared drive e to ensure more than one person can access the evidence to demonstrate individuals have been appropriately given access to the Orchard system.	System administration team	01/07/2016	412
Housing Rents	Management Information – control design	Low	The council will investigate further KPIs which can be monitored and reported on. The introduction of Housemark will allow the council to compare their performance to other areas.	Clive Taylor	01/10/2016	320
Housing Rents	Write-offs – control design	Advisory	The Housing Rent specific write off policy should be finalised and implemented.	Clive Taylor	01/08/2016	381

Audit	Finding heading	Finding rating	Agreed action	Responsible person	Implementation deadline	Days overdue
Housing Rents	Timeliness of control operation – operating effectiveness	Low	Management will review the controls and if they are considered to be necessary actions will be taken to ensure there is evidence of review retained going forward. If management feel there is no added value from the identified controls these will be removed from the programme of work.	Clive Taylor	01/07/2016	412
Markets	Policies and Procedures – control design	Low	Review the omitted policy areas and update the policy and procedure documents as appropriate. Update policy to ensure that the date for payment is accurate.	Town Centre Manager	31/03/2016	504
Markets	Policies and Procedures – operating effectiveness	Low	Ensure traders who are in rent arrears are chased up and work to establish a payment plan which will enable the Council to collect some, if not all, outstanding rent. Ensure traders are reminded when their insurance is due to expire and that they are unable to trade without valid insurance. Retain paper copies of all insurance documents on file. Ensure that a record of casual traders is kept and casual trader forms are fully completed before a stall is allocated.	Town Centre Manager	31/03/2016	504
Corporate Governance	Risk management and mitigating actions	Medium	Risk owners will be reminded that mitigating actions should be fully documented and that training is available on the terminology if required.	Cal Bellavia	01/12/2016	259
Estates and Assets	The Crescent – financial viability	Medium	1.Perform a full and accurate financial analysis of the Crescent and present this to members.	Malcolm Evans	30/06/2017	48
Estate and Assets	Leisure centre finances	Low	1.Begin to consider options available and acceptable to the Authority in the event that PFP formally request assistance in mitigating lower gym membership. Proactively preparing a sensitivity analysis in advance of a formal request should mean action can be taken without delay.2.Consider activities the Council can undertake to support higher gym membership and be proactive in achieving a surplus. 3.Request that PFP share with the Authority its forecasted surplus profit/deficit for the year on at least a quarterly basis as part of the management information it already provides.	Malcolm Evans	30/06/2017	48

Audit	Finding heading	Finding rating	Agreed action	Responsible person	Implementation deadline	Days overdue
Estates and Assets	The Crescent - reporting	Medium	1.Perform a full and accurate financial analysis of the Crescent and present this to members.	Malcolm Evans	30/06/2017	48
Estates and Assets	Governance and Reporting	Medium	1.Review and revise the Project Board Terms of Reference and membership to take account of the new facility now operating as business as usual.2.Ensure full minutes are kept of each Project Board meeting, referencing items discussed, existing actions monitored, and new actions set.3.A full lessons learnt and debrief for each project should be prepared by the immediate project team, and reported internally to management and Members within 3 months of project completion. This should also include a full analysis of the non-financial benefits achieved.4.To ensure that Members have appropriate oversight of risks impacting the Authority, we would expect them to receive further detail regarding the potential risks and the associated impact, along with the mitigating actions that are being taken at an operational level.	Malcolm Evans	30/06/2017	48
Finance	Audit trail for verifying changes to supplier details	Low	Ensure members of staff are fully trained in the procedure. Ensure members of staff understand the importance of verifying the supplier details, in particular the bank details. Ensure members of staff understand the importance of a clear audit trail.	Ilyas Bham	28/02/2017	170
I.T. Partnership	Contract implementation	Low	The Council need to ensure the issues identified are remediated under the new contract arrangement in order to maximise the benefits of working in a Partnership arrangement to ensure that the ICT service delivered is streamlined, efficient and cost effective. A number of improvements have been negotiated within the new service contract and the Council needs to make sure these are monitored and reviewed to ensure that the new arrangements are fully realised in order to get maximum benefit from the new contractual arrangement.	Mike Dungey	31/07/2017	17

Audit recommendations made by your previous internal audit provider, CWAS, have not been included in the table above. There are a total of five open findings.

Appendix B: Internal audit - Key performance indicators



Target fully achieved

Target achieved with minor exceptions

Target not achieved



KPI	Target	Actual results for year to date	Comments
1) Audits budgeted v actual	+/- 10 plan days	0	The changes in the audit plan do not reflect a change in the allocated audit days.
2) % of audits with Terms of Reference	100%	100%	Terms of reference have been agreed for reviews as set out in the Activity in the Period section.
3) % of audits with an exit meeting	100%	100%	Closing meetings have been held for the Q1 finance and Corporate Governance & Risk Management
4) Draft reports issued promptly	100%	100%	Corporate Governance & Risk Management report issued
5) Attendance at Audit Committee	100%	100%	Agreed with management that attendance at the last Audit Committee was not required as it was focused on the external audit.
6) Overall client satisfaction score	9/10	NA	Feedback will be requested at the end of the year

Appendix C: Analysis of days included in plan

Ref	Auditable Unit	Q	Audit days*	Audit days used to date
A	Cross cutting services			
A.1	Compliance	Q3	10	0
A.2	Corporate governance / risk management	Q2	13	7
B	Corporate Services			
B.1	Legal services	Q2	7	1
B.2	HR and transformation	Q4	8	0
B.3	Finance	Q3 Q1-4	15	5
B.7	Estates and assets	Q3	10	0
C	Community services			
C.4	Housing options	Q2	8	1
C.5	Private sector housing	Q3	8	0
C.7	Strategic and community planning	Q4	8	0
D	Environment and planning			
D.1	Environmental Health	Q3	8	0
E	Revenues and Benefits Partnership			
E1-4	Revenues and benefits partnership	Q3	12	1

Ref	Auditable Unit	Q	Audit days*	Audit days used to date
F	Project Management			
F.1	Prior year recommendation follow up	Q1-Q4	7	1
F.2	Project management	Q1-Q4	8	3
F.3	Contingency	Q1-Q4	3	0
Total days			125	19

Appendix D: Thought leadership: GDPR

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

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

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

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Individuals

It puts individuals back in control of their personal data

Customers and employees have more power to control how businesses use their data. You could be required to report on, move or dispose of personal data if requested and you must have the capabilities to do this. Your options for using personal data are restricted.



Portable and forgettable data

Data must be easily portable and forgettable

You must be able to provide individuals with their personal data in a structured, commonly used and machine readable form. Your systems and processes will have to let you truly 'forget and delete' data upon request from the individuals including long term archives.



Transparency

How you use data will be more transparent

The rules on consent are getting tougher, and individuals can withdraw consent at any time. You'll be required to articulate all of the ways in which you use personal data, and make it clear to individuals what their data is being used for and who you have shared it with.



Risk from third parties

Third parties could put you at risk

You will remain responsible for individuals' personal data throughout the entire data lifecycle. You will have to assure that data you pass to third parties is handled in a manner compliant with GDPR.



Timelines and fines

Fines are getting bigger, and the timelines are getting shorter

Fines for non-compliance can be as severe. You will be under legal obligation to notify data protection authorities within 72 hours of a data breach, and individuals without delay. You will have to keep records of your data processing activities, undertake privacy impact assessments and appoint a Data Protection Officer (DPO).

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

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

Key findings:

The 'edge' feels closer

Almost a third of councils now feel that the 'cliff edge' is imminent and are not confident of their ability to deliver in the year ahead. When considering the three and five year outlooks, confidence halves and then halves again with only 6% confident that they will be able to make the necessary savings without impacting the quality of services or outcomes in the next five years.

The scale of the financial challenge



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

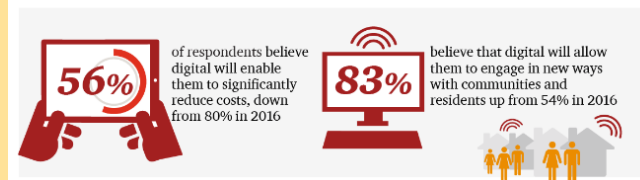
As councils shift their thinking towards driving public service reform across their place, six out of ten respondents agree that councils should be more responsible for facilitating outcomes rather than delivering services, yet only four in ten fully understand how to measure outcomes while only a quarter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

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

Significant capacity and capability gaps remain

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

A mixed picture on digital impact:



Managing data and driving insight is a gap

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

Councils are vulnerable to cyber security risks



Local outcomes are at the heart of public sector reform



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

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

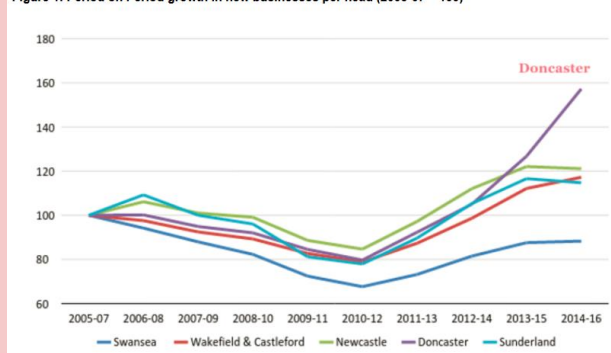
In the most recent edition of the Demos-PwC Good Growth for Cities Index, Doncaster was one of the top five cities showing an improvement in its score. This was driven by the largest increase in both new businesses per head and skill levels of young people seen across all of the cities covered by our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

Continuing Growth in new businesses

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

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



A local approach delivering results

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

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

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

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

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

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

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