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

Date: 03 April 2019



Hinckley & Bosworth Borough Council

#### To: Members of the Audit Committee

Mr RB Roberts (Chairman) Mrs R Camamile (Vice-Chairman) Mr DS Cope Mrs L Hodgkins Mr MR Lay Mr KWP Lynch Mr DW MacDonald 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 G10 - Hinckley Hub on **THURSDAY**, **11 APRIL 2019** at **6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

Rebecca Owen Democratic Services Manager

#### AUDIT COMMITTEE - 11 APRIL 2019

#### AGENDA

#### 1. <u>APOLOGIES AND SUBSTITUTIONS</u>

2. <u>MINUTES OF PREVIOUS MEETING (Pages 1 - 2)</u>

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. <u>QUESTIONS</u>

To hear any questions received in accordance with Council Procedure Rule 12.

6. <u>2018-19 EXTERNAL AUDIT PLAN (Pages 3 - 36)</u>

Report of the external auditor.

- HOUSING RENT DEBT RECOVERY INTERNAL AUDIT REPORT (Pages 37 50) Internal audit report.
- 8. HOUSING REPAIRS INTERNAL AUDIT (Pages 51 62)

Internal audit report for housing repairs.

9. <u>LEICS R&B PARTNERSHIP IA REPORT (Pages 63 - 84)</u>

Leicestershire Revenues & Benefits Partnership internal audit report.

10. INTERNAL AUDIT PROGRESS REPORT (Pages 85 - 88)

Internal audit progress plan report.

11. NON-PO EXPENDITURE UPDATE APRIL 19 (Pages 89 - 92)

To provide feedback to Members on issues raised by our previous Internal Auditors PWC.

12. 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

#### 10 JANUARY 2019 AT 6.30 PM

#### PRESENT: - Chairman

Mr DS Cope, Mrs L Hodgkins, Mr DW MacDonald, Mr BE Sutton and Miss DM Taylor

Members in attendance: Councillors

Officers in attendance: Julie Kenny, Rebecca Owen and Ashley Wilson

#### 334 APPOINTMENT OF CHAIRMAN FOR THIS MEETING ONLY

In the absence of the chairman and vice-chairman, it was moved by Councillor MacDonald, seconded by Councillor Taylor and

RESOLVED – Councillor Sutton take the chair for this meeting only.

#### 335 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillors Camamile, Lynch, Roberts and Williams.

#### 336 MINUTES OF PREVIOUS MEETING

It was moved by Councillor Hodgkins, seconded by Councillor MacDonald and

<u>RESOLVED</u> – the minutes of the meeting held on 22 November 2018 be confirmed and signed by the chairman.

#### 337 DECLARATIONS OF INTEREST

No interests were declared at this stage.

#### 338 INTERNAL AUDIT PROGRESS REPORT

The internal auditor presented a report which updated on progress against the 2018/19 internal audit plan. An amendment to the document was noted that, on page 70 of the agenda in relation to final reports issued, "risk management" should read "sundry debt".

#### 339 INTERNAL AUDIT REPORT: ELECTORAL REGISTER

The internal auditor presented the electoral register internal audit report and drew attention to two low risk recommendations and giving significant assurance.

#### 340 INTERNAL AUDIT REPORT: GENERAL DATA PROTECTION REGULATION (GDPR)

The internal auditor presented the General Data Protection Regulation (GDPR) review. It was noted that a medium level risk in relation to the information asset register had been raised but that work to address this was already underway. Actions in relation to the low risk recommendations and improvement points was also progressing. In response to a question about members' involvement in GDPR, it was noted that training had taken place for members and that moving onto Office 365 had also improved data security.

#### 341 INTERNAL AUDIT REPORT: SUNDRY DEBT RECOVERY

The committee received the sundry debt recovery internal audit report. The medium risk recommendation in relation to the number of debts that were older than one year and some were older than five years. It was suggested that this information should be clearly reported so that relevant managers could take action in relation to recovering debts. It was explained that homelessness bonds were not expected to be recovered but suggested that this should be clearly reported. The level of individual debts was discussed and it was noted that industrial units had some older debts that perhaps should be written off to tidy up the position and that this was being worked on.

#### 342 INTERNAL AUDIT REPORT: FINANCIAL SYSTEMS QUARTER 3

The financial systems internal audit report for quarter 3 was presented to members. Significant assurance was provided and some required improvements were recognised in relation to budget monitoring information and disaster recovery plan.

(The Meeting closed at 6.50 pm)

CHAIRMAN

## Hinckley & Bosworth Borough Council Audit planning report

Year ended 31 March 2019

March 2019

Rage 3

25 March 2019



Pag

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4

Members of the Audit Committee Hinckley & Bosworth District Council Hinckley Hub Rugby Road Hinckley LE10 OFR

Dear Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 11 April 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley For and on behalf of Ernst & Young LLP

## Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<u>https://www.psaa.co.uk/audit-guality/statement-of-responsibilities/</u>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Hinckley & Bosworth Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Hinckley & Bosworth Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, and management of Hinckley & Bosworth Borough Council to state to them in this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

3

# 01 Overview of our 2018/19 audit

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### Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus				
Risk / area of focus	Risk identified	Change from PY	Details	
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.	
Incorrect capitalisation of revenue expenditure Page 7	Fraud risk	Change in focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of revenue or expenditure recognition. We have assessed the risk as manifesting principally arising in the arrangements to ensure that capital expenditure are reasonable and correctly accounted for and therefore we will complete work to get assurance on year end revenue and capital expenditure.	
Valuation of Land and Buildings	Inherent risk	No change in risk or focus	The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.	
Pension Liability Valuation	Inherent risk	No change in risk or focus	The Council's pension fund deficit is a material estimated balance. At 31 March 2018 this totalled £34 million. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	
Implementation of new accounting standards	Inherent risk	New area of focus	This is the first year of implementation of IFRS 9 and 15 and whilst we are not anticipating significant changes we will need to see the Council's assessment of the impact and review any subsequent accounting entries and disclosures in the accounts.	



#### Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Hinckley & Bosworth Borough Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- **T** Strategic, operational and financial risks relevant to the financial statements;
- age Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and, Ċ
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

#### Materiality

Materiality has been set at £1,047k which represents 2% of the prior years gross expenditure on provision of services. Planning materiality £1,047k Performance materiality has been set at £785k, which represents 75% of materiality. Performance materiality We will report all uncorrected misstatements relating to the primary statements comprehensive income £785k and expenditure statement, balance sheet, movement in reserves statement, cash flow statement. Audit housing revenue account, and collection fund greater than £52k. Other misstatements identified will be differences communicated to the extent that they merit the attention of the Audit Committee. £52k







## Audit risks

## Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
Misstatements due to fraud or error*	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We identify and respond to this risk on every audit engagement.	<ul> <li>Inquire of management about risks of fraud and the controls put in place to address those risks;</li> <li>Understand the oversight given by those charged with governance of management's processes over fraud; and</li> <li>Consider of the effectiveness of management's controls designed to address the risk of fraud.</li> <li>Perform mandatory procedures regardless of specifically identified fraud risks, including:</li> <li>Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>Assessing accounting estimates for evidence of management bias; and</li> <li>Evaluating the business rationale for significant unusual transactions.</li> <li>We will utilise our data analytics capabilities to assist with our work, including carrying out testing on the income and expenditure accounts and journal entry testing.</li> </ul>

## Our response to significant risks (continued)

Incorrect capitalisation of revenue expenditure\*

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

#### Orinancial statement impact

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Misstatements that occur in relation to this risk may impact the following significant accounts:

PPE Additions - Valuation

CIES Net Cost of Services - Other Expenditure - Completeness This could be materialize as a result of either capitalising expenditure on revenue items or revenue items being incorrectly identified as Revenue expenditure funded from capital under statute, thus funded from capital

#### What will we do?

- Ensure that capitalised expenditure meets the criteria for this treatment;
- Substantively test expenditure classed as REFCUS, ensuring that it meets the criteria for this treatment
- Review accounting policies, identifying whether consistent with prior year and the code of practice;



## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
Valuation of Land and Buildings The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance Beet. 20 21 21	<ul> <li>We will:</li> <li>Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE;</li> <li>Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;</li> <li>Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);</li> <li>We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;</li> <li>Consider changes to useful economic lives as a result of the most recent valuation; and</li> <li>Test accounting entries have been correctly processed in the financial statements</li> </ul>
Pension Liability Valuation The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Leicestershire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £34 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	<ul> <li>We will:</li> <li>Liaise with the auditors of Leicestershire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Hinckley &amp; Bosworth Borough Council;</li> <li>Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and</li> <li>Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19</li> </ul>



### Other areas of audit focus

grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new

disclosure requirements introduced.

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<ul> <li>IFRS 9 financial instruments</li> <li>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change: <ul> <li>How financial assets are classified and measured;</li> <li>How the impairment of financial assets are calculated; and</li> <li>The disclosure requirements for financial assets.</li> </ul> </li> <li>There are transitional arrangements within the standard; and the 018/19 Cipfa Code of practice on local authority accounting provides are issued and any statutory overrides are confirmed there remains come uncertainty on the accounting treatment.</li> </ul>	<ul> <li>We will:</li> <li>Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;</li> <li>Consider the classification and valuation of financial instrument assets;</li> <li>Review new expected credit loss model impairment calculations for assets; and</li> <li>Check additional disclosure requirements.</li> </ul>
<ul> <li>IFRS 15 Revenue from contracts with customers</li> <li>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.</li> <li>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</li> <li>The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</li> <li>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government</li> </ul>	<ul> <li>We will:</li> <li>Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19.</li> <li>Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and</li> <li>Check additional disclosure requirements.</li> </ul>



## Value for Money Risks





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### Value for Money

#### Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- **•** Work with partners and other third parties.

considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for Money

## Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
The Council's Medium Term Financial Strategy (MTFS) for the period 2019/20 to 2023/24, shows that there is a gap between funding and expenditure. The MTFS shows that the Council will need to use reserves to meet its planned expenditure This therefore presents a significant risk to our Value For Money conclusion in terms of 'sustainable resource deployment - Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions'.	Sustainable Resource Deployment: Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions	<ul> <li>We will:</li> <li>Monitor the financial position for 2018/19, including delivery of savings;</li> <li>Review the arrangements that the Council has put in place for identifying medium term savings requirement and development of its Efficiency plan / MTFS;</li> <li>Obtain supporting information in respect of the key savings projection; and</li> <li>Evaluate the impact of any audit findings on the reported financial position.</li> </ul>



## ₽ Audit materiality

## Materiality

#### Materiality

For planning purposes, materiality for 2018/19 has been set at £1,047k. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. It is set at 2% as this is a public entity which operates in an environment where profit is not a motive. It is a mature entity and is subject to a high level of control over how it operates (from Central Government).



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

#### **Key definitions**

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at  $\pounds785k$  which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

**Specific materiality** - We have set a materiality of £1k for remuneration disclosures, related party transactions, members' allowances and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



## 05 Scope of our audit





### **Our Audit Process and Strategy**

#### **Objective and Scope of our Audit scoping**

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

He also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### Procedures required by standards

Addressing the risk of fraud and error;

- Significant disclosures included in the financial statements;
- Entity-wide controls;

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- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

#### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.



## Our Audit Process and Strategy (continued)

#### Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

#### • Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools: Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and

Give greater likelihood of identifying errors than random sampling techniques.

the will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



## 06 Audit team





The engagement team is led by Maria Grindley, who has significant experience of Local Government audit engagements. Maria is supported by Gary Morris who is responsible for the day-to-day direction of audit work and is the key point of contact for the Head of Finance.

#### Audit team changes

Key changes to our team.





Manager: Gary Morris



## Use of specialists

More auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations team
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

## 07 Audit timeline



## 🔀 Audit timeline

## Timetable of communication and deliverables

#### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit Committee timetable	Deliverables
Planning:	December		
Risk assessment and setting of scopes.			
ບ Walkthrough of key systems and processes.	March		
<b>Φ</b> Interim audit testing			
NPresentation of Audit Plan	April	April 2019	Audit Planning Report
Year end audit	June		
Audit Completion procedures	July	July 2019	Audit Results Report Audit opinions and completion certificates
Conclusion of reporting		September 2019	Annual Audit Letter
Housing benefit Subsidy claim	August / September		
Reporting on certification work	Ļ	January 2020	Annual Certification Report



## 08 Independence





## Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications				
Planning stage	Final stage			
<ul> <li>The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between you, your affiliates and directors and us;</li> <li>The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>The overall assessment of threats and safeguards; Information about the general policies and process within EY to maintain objectivity and independence.</li> <li>Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard</li> </ul>	<ul> <li>In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>Details of non-audit services provided and the fees charged in relation thereto;</li> <li>Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li> <li>Written confirmation that all covered persons are independent;</li> <li>Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li> <li>Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</li> <li>An opportunity to discuss auditor independence issues.</li> </ul>			

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.



## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non -audit services if the service has been pre-approved in accordance with your policy.

#### **Overall Assessment**

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley, your audit engagement partner and the audit engagement team have not been compromised.

#### Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

ne of the services are prohibited under the Financial Reporting Council's Ethical Standard or the National Audit Office's Auditor Guidance Note 01 and you have no molicy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

We the time of writing, the current ratio of non-audit fees to audit fees is approximately 41%. All fees are set out in Appendix A.

The only non-audit fees relate to Certification of the Housing Benefit Subsidy Claim and Housing Pooling Claim.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

#### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

#### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.



## Relationships, services and related threats and safeguards

#### **Other threats**

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

## Other communications

EY Transparency Report 2018

Enst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018



### 🖹 Appendix A

### Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2018/19	Final Fee 2017/18
	£	£
ਸਿਰੀ Fee - Code work	38,046	49,410
audit 🛛 🕹	38,046	49,410
Housing Benefits Subsidy Claim	13,613	14,850*
Capital Pooling Claim	2,000	2,000
Total other non-audit services	15,613	16,850
Total fees	53,659	66,260

All fees exclude VAT

\*Final Fee TBC

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- ► Our accounts opinion and value for money conclusion being unqualified;
- ► Appropriate quality of documentation is provided by the Council; and
- ► The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

### 🕒 Appendix B

## Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Punning and audit Approach O 32	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report April 2019
Significant findings from the audit	<ul> <li>Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>Significant difficulties, if any, encountered during the audit</li> <li>Significant matters, if any, arising from the audit that were discussed with management</li> <li>Written representations that we are seeking</li> <li>Expected modifications to the audit report</li> <li>Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report July 2019
Going concern	<ul> <li>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</li> <li>Whether the events or conditions constitute a material uncertainty</li> <li>Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report July 2019

Appendix B

## Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	📺 🖓 When and where
Misstatements	<ul> <li>Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>The effect of uncorrected misstatements related to prior periods</li> <li>A request that any uncorrected misstatement be corrected</li> <li>Corrected misstatements that are significant</li> <li>Material misstatements corrected by management</li> </ul>	Audit results report July 2019
Paud Fage 33	<ul> <li>Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>A discussion of any other matters related to fraud</li> </ul>	Audit results report July 2019
Related parties	<ul> <li>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>Non-disclosure by management</li> <li>Inappropriate authorisation and approval of transactions</li> <li>Disagreement over disclosures</li> <li>Non-compliance with laws and regulations</li> <li>Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report July 2019
Independence	<ul> <li>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</li> <li>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</li> <li>The principal threats</li> <li>Safeguards adopted and their effectiveness</li> <li>An overall assessment of threats and safeguards</li> <li>Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Planning Report April 2019 Audit Results Report July 2019

Appendix B

## Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report July 2019
Consideration of laws and regulations	<ul> <li>Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of</li> </ul>	Audit results report July 2019
Reference in the second	<ul> <li>Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit results report July 2019
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report July 2019
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report July 2019
Auditors report	<ul> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report July 2019
Fee Reporting	<ul> <li>Breakdown of fee information when the audit plan is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit planning report April 2019 Audit results report July 2019
Certification work	Summary of certification work undertaken	Certification report January 2020
### Appendix C

### Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

### Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Page 35

### 🖹 Appendix C

### Additional audit information (continued)

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

Be amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the curve cu

36



An instinct for growth"

# Hinckley and Bosworth Borough Council

Housing Rent Debt Recovery Internal Audit report

<sup>27</sup> March 2019 **Dage 37** 

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T: 0121 232 5277 E: <u>zoe.thomas@uk.gt.com</u> Internal Audit Manager Zoe Thomas

Agenda Item

E: david.m.rowley@uk.gt.com T: 0121 232 5225 Internal Auditor **Dave Rowley** 

## Contents

mmary	2 Key Findings & Recommendations	
1 Executive Summary	2 Key Findings & F	3 Appendices

Page 38

**Report distribution:** 

### For action:

Housing team staff

## **Responsible Executives:**

Director (Community Services)

This report is confidential and is intended for use by the management and directors of Hinckley & Bosworth Borough Council. It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

It is the responsibility solely of the Council's management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.



Background	Objectives
The Council's approach to debt recovery is a crucial element of its overall financial managements arrangements	The objective of the review is to provide an independent assessment of the key risks, the design and operational effectiveness of the Council's debt management arrangements.
have a clear oversight of the debt position to enable appropriate and timely decision making Failure to effectively recover debt or identify balances for	Our review focused on the potential risks:
write off can impact on budget setting and available reserves. If arrears are not managed effectively using timely, accurate information, it can lead to	<ul> <li>Information on debt arrears and recovery is not appropriate or timely, so management may not have a good understanding of performance, risks and actions being taken;</li> </ul>
unforeseen impacts on the Council's overall financial position. Furthermore, the Council's approach to debt recovery is a key element of its	<ul> <li>Policies and procedures are not clear, are not understood, are not being appropriately or consistently applied;</li> </ul>
overall relationship with stakeholders. Failure to set and correctly apply a reasonable and realistic policy on debt recovery which is in line with Council's overall Credit Policy can impact on public perception of the Council's activities.	<ul> <li>There is inadequate differentiation between debts so that the most appropriate debt recovery strategy is not being applied, or debts are inappropriately prioritised.</li> </ul>
Therefore it is crucial that the Council ensures that there are adequate policies	<ul> <li>There is inadequate management of disputes.</li> </ul>
And procedures in place in respect of the recovery of debts, that there are fifective debt recovery actions carried out which are in accordance with	Further details on responsibilities, approach and scope are included the Audit Planning Brief issued in August 2018. Furthermore, it should also be noted that our review
Council policies and procedures and that there is accurate and effective	focusses on housing rent debtors. Issues around debt recovery in other areas of the Council's operations (such as revenues and benefits) will be considered in separate
information on outstanding debts and upcoming planned activity to recover them.	reports in line with our delivery plan.
	Limitations in scope
	Please note that our conclusion is limited by scope. Our findings and conclusions will be limited to the risks outlined above. The scope of this audit does not allow us to provide an independent assessment of all risks and across the entire debt recovery process.
	Where sample testing has been undertaken, our findings and conclusions are limited to the items selected for testing. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.
	This report does not constitute an assurance engagement as set out under ISAE 3000.

**Executive Summary** 

Conclusion	Areas for development	
Significant assurance with some improvements required.	1. Implement timely reporting on housing rent debt to members. Overhaul	to members. Overhau
We have reviewed the Council's processes and controls around recovery of sundry debtor balances. The controls tested are set out in our Audit Planning Brief.	performance indicators and consider inclusion of measures around age of debtor balances. This will increase the level of engagement from senior management and provide alternative viewpoints on levels of debt.	measures around age o engagement from senio levels of debt.
We have concluded that the processes provide SIGNIFICANT ASSURANCE WITH SOME IMPROVEMENTS REQUIRED to the Committee.	<ol><li>Review debt recovery strategy and consider whether existing performance indicators around applying for evictions are consistent with the Housing team's aims in this area.</li></ol>	her existing performance sistent with the Housing
Good practice	3. Obtain additional support from legal services colleagues in court proceedings in order to reduce issues eventioned in constructing coses and challenging	jues in court proceeding
1. The Council's debt recovery activities were consistent with the policy. The Policy itself was clear and concise and made provision for proportionality of response, which is consistent with the wider aims and purpose of the	in order to reduce issues experienced in constructing cases and criateriging court decisions.	ig cases and chanenging
D Council.	Recommendations	
The Council evidently sought to identify and work with tenants in financial difficulty.	As we have concluded that the processes provide significant assurance with some improvements required, we have raised one medium level recommendation and one low level recommendation to address the weaknesses identified.	gnificant assurance with a one medium leve address the weaknesse
	High Med	d Low Imp
	Detailed findings	
	Acknowledgement	
	We would like to take this opportunity to thank your staff for their co-operation during this internal audit.	taff for their co-operation

**Executive Summary** 

4

	Action Plan	Actions: Performance update to be provided to SLT each quarter. To include: Total current debt levels by area and age of debt.	Responsible Officer: Maddy Shellard Executive Lead: Mike Hall	Due date: 30/09/2019					ũ
Key Findings & Recommendations	Findings and Recommendation	<ol> <li>Key findings</li> <li>Although current tenant arrears is contained within the Council's corporate risk register, the Housing team do not report regularly to the Scrutiny, Finance or Audit committees on levels of housing rent debt, with reporting being undertaken on an ad hoc basis when requested.</li> <li>The Housing team currently has performance indicators relating to overall level of rent collected (98%) and level of evictions (less than 10 per annum). However, it does not report or measure performance relating to the age of debtor balances and the amount collected. A review of historic balances shows that housing rent debt is rising (£324k as at 31 March 2014 up to £833k at 7 October 2018). The Council has recognised that these measures need to be updated to a more meaningful metric.</li> </ol>	<ol> <li>In September 2018, the Housing team reported to the Scrutiny Commission on the impact of the introduction of Universal Credit in place of Housing benefit in the borough. Their report argues that it is a key factor behind the significant increase in housing rent debt. Key factors are the delays in initial payment and the change to payment direct to tenants as opposed to landlords.</li> <li>Even allowing for the issues noted with Universal Credit (see above), Housemark (providers of benchmarking data engaged by the Council) still consider the Council to have a high level of housing rent debt (5.7% of annual rent against an expected range of 1.5% - 4.5%).</li> </ol>	<b>Issue identified:</b> The Housing team does not report on a regular basis to members or senior management on the level of housing rent debt. Existing performance indicators do not consider age or collectability of aged debt balances and, in the case of eviction targets, may be at odds with its overall aims in terms of debt recovery.	<b>Root cause:</b> Reports are requested on an ad hoc as opposed to timetabled basis. Performance indicators consider collectability of annual rent but do not factor in levels of debt. In the case of evictions, the Council aims to keep them below 10 per annum, although the culmination of its incremental collection strategy is to seek eviction via a possession order in the case of persistent non payment.	<b>Risk:</b> Current tenant debt is identified as a risk for the organisation via its corporate risk register; a lack of regular reporting may impact implementation of effective management strategies. Existing performance indicators do not give a meaningful benchmark against which to measure overall performance, which may negatively impact the Council's debt recovery strategy.	<b>Recommendations</b> : The Housing team should report at least quarterly to management or members on the level of housing rent debt. Additional performance indicators should be implemented focussing on the age and collectability of debt and factored in to reporting processes.	<b>Overall conclusion:</b> Our review suggests that debt in this area is increasing rapidly; a lack of up to date management information may impact the Council's overall strategy to reduce this balance.	Therefore we consider this to be a medium recommendation.
Key Find	Risk Area	Information on debt arrears and recovery is not appropriate or timely, so management may not have a good understanding of performance, risks and action being taken.	Page	41					

Findings & R	ecommendations
sou	20 20
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Risk Area	Findings and Recommendation	Action Plan
Policies and procedures are not clear, are not understood, are not being appropriately or consistently applied.	<ul> <li>Key findings</li> <li>1. The Council's policy is clear and concise and is in line with similar policies within the wider organisation in terms of its inclusion of considerations around proportionality of responses to non payment of debt.</li> <li>2. Sample testing suggested that in all 25 cases reviewed, the Council followed the incremental debt recovery process set out in its policy.</li> <li>3. In 25 cases tested, we found 13 where a suspended possession order was in place. The results of our testing suggest that the culmination of legal proceedings tends to be that judges will offer "terms" (a payments, determined by an affordability assessment) to tenants as opposed to granting possession to the Council.</li> </ul>	Actions: N/A
ge 42	Recommendations:	
	Based on the above, we do not have any specific recommendations in this area.	

Recommendations	Action Plan	<ul> <li>Key Findings:</li> <li>In this area, the full population of debtors related to provision of a statutory service and therefore there were no issues noted around cessation of provision of discretionary services.</li> <li>Eurthermore, we note that the Council's policy makes provision for the consideration of proportionality of responses to debt issues, allowing for the Council's team to approach cases where tenants are vulnerable or in genuine considerable financial difficulty in a different manner than cases of simple non payment.</li> <li>Based on sample testing performed we noted strong evidence that the Council adhered to this policy and made efforts to work with individuals where genuine cases of hardship or vulnerability were noted.</li> </ul>
	Findings and Recommendation	<ul> <li>Key Findings:</li> <li>1. In this area, the full population of de there were no issues noted around there were no issues noted around</li> <li>2. Furthermore, we note that the Courproportionality of responses to debt where tenants are vulnerable or in than cases of simple non payment.</li> <li>3. Based on sample testing performed policy and made efforts to work with were noted.</li> </ul>
Key Findings &	Risk Area	There is inadequate differentiation between debts so that the most appropriate debt recovery strategy is not being applied, or debts are not appropriately prioritised.

### Recommendations

Page 43

For the reasons documented above, we have no specific recommendations in this area.

Recommendations
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Findings &
Key

Risk Area	Findings and Recommendation	Action Plan
There is inadequate management of disputes.	<ul> <li>Key Findings:</li> <li>1. As previously referred to, 13 of 25 cases tested had a suspended possession order in place.</li> <li>2. In many of these cases, there appeared to be genuine hardship and a case to be made for agreement of terms as opposed to eviction.</li> <li>3. However, there are clearly some cases of genuine non payment combined with other issues such as anti social behaviour.</li> </ul>	Action Legal services to assist with repeat Suspended Possession Orders in which arrears levels exceed £2000.
F	Recommendation:	Responsible Officer: Maddy Shellard
Page 44	<b>Issue identified:</b> The Council encounters difficulties in achieving evictions in cases where tenants have genuinely not engaged with the Housing Team, have other issues present and do not have a strong reason for non payment. <b>Root cause:</b> The Council have identified a lack of input from legal services colleagues as a	Executive Lead: Mike Hall Due date: Effective immediately
	<ul> <li>key factor in difficulties in challenging court decisions.</li> <li>Risk: Lack of legal services input exacerbates current issues being experienced by housing officers in constructing cases and challenging court decisions.</li> <li>Recommendation: The Council should seek to engage with legal services colleagues in order to gain additional legal support in court hearings.</li> <li>Overall conclusion: Whilst the ability to achieve eviction is a key factor in the ability of the Council's debt recovery policy to act as a deterrent for non payment of rent, we recognise that this is only a desirable outcome in a small number of cases.</li> </ul>	

# Appendices

# Appendix 1 – Staff involved and documents reviewed

### Staff involved

Madeline Shellard – Anti Social behaviour Manager

### **Documents reviewed**

- Housing team debt recovery policy and process map
- Housing team report to Scrutiny Commission on Universal Credit impact
- Housemark benchmarking data summary
- Miscellaneous information on performance indicators

The table below shows assignment assurance	The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.
Rating	Description
Significant assurance Å	Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management. These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review. Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.
8 8 Significant 8 assurance with 2 some 1 improvement required	Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management. Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review. Might be indicated by minor weakness and only LOW rated recommendations.
Partial assurance with improvement required	Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management. Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review. Might be indicated by moderate weaknesses in the related or controls and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.
No assurance	Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management. Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review

# Appendix 2 - Our assurance levels

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Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.

# Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Possible features	<ul> <li>Key activity or control not designed or operating effectively</li> <li>Potential for fraud identified</li> <li>Non-compliance with key procedures / standards</li> <li>Non-compliance with regulation</li> </ul>	<ul> <li>Important activity or control not designed or operating effectively</li> <li>Impact is contained within the department and compensating controls would detect errors</li> <li>Possibility for fraud exists</li> <li>Control failures identified but not in key controls</li> <li>Non-compliance with procedures / standards (but not resulting in key control failure)</li> </ul>	<ul> <li>dentify</li> <li>Minor control design or operational weakness</li> <li>Minor non-compliance with procedures / standards</li> </ul>	<ul> <li>Information for management</li> <li>Control operating but not necessarily in accordance with best practice</li> </ul>
Description	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	Items requiring no action but which may be of interest to management or which represent best practice advice
Rating	ਿਸ ਸਿੰਸ Paq	ge 48	Low	Improvement



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### Hinckley and Bosworth Borough Council

### Housing Repairs Review

### February 2019 Page 51

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### Contents

1 Executive Summary	3
2 Key findings & Recommendations	5
3 Appendices	8

### **Report distribution:**

### For action:

Housing Repairs Investment Manager

### **Responsible Executives:**

Director (Corporate Resources)

This report is confidential and is intended for use by the management and directors of Hinckley and Bosworth Borough Council. It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

It is the responsibility solely of the Council's management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.



### Background

Hinckley and Bosworth Council have a number of sheltered and supported housing schemes, which include a variety of individual self-contained one bedroom flats, studio flats and a small number of bungalows.

As a landlord, the Council has responsibility to ensure that all electrical, gas and heating fittings as well as fire exits, water supply and the general state of the accommodation meet the required safety standards. In sheltered housing this includes communal areas such as hallways, gardens, kitchens etc.

The Council is required to undertake risk assessments in each location and have a programme of inspection, monitoring, testing and maintenance of appliances and accommodation to meet safety standards in all of its properties.

Annual fire risk assessment are undertaken by Hinckley and Bosworth's Fire Service. To supplement the fire safety checks, the in-house repairs team hdertake periodic preventative maintenance checks and works at the Council's seven sheltered housing schemes and the homeless unit which covers the other aspects of safety of its properties.

Management retains overall responsibility to design and approve policies and procedures to ensure appropriate safety standards are maintained within its properties and to be satisfied work is undertaken in line with these. Responsibilities should be clearly set out and appropriate records maintained to demonstrate that all work has been undertaken in line with procedures.

### **Objectives**

The objective of the review is to provide an independent assessment of whether there are appropriate arrangements in place to ensure that the Council's six operational sheltered housing schemes and its homeless unit are being maintained to meet safety standards.

Our review considered the following potential risks:

- There are not clear policies and procedures in place for undertaking safety reviews at each identified location
- Inadequate records are kept to demonstrate that work has been undertaken on all appliances in line with agreed policies and procedures
- Management does not receive adequate or timely information to be assured that work undertaken is in line with the agreed timetables and covers all expected areas.

### Limitations in scope

Please note that our conclusion is limited by scope. It is limited to the risks outlined above. Other risks exist in this process which our review and therefore our conclusion has not considered. Where sample testing has been undertaken, our findings and conclusions are limited to the items selected for testing. In addition, our assurance on the completeness of the declarations recorded in the register of interest is limited to the findings from our sample testing.

This report does not constitute an assurance engagement as set out under ISAE 3000.

### **Overall Conclusion**

### Significant assurance with some improvement required

We have reviewed the processes and controls in place at the Council regarding safety checks carried out on its sheltered schemes and homeless unit. The controls tested are set out in our Audit Planning Brief.

We have concluded that the processes provide **SIGNIFICANT ASSURANCE WITH SOME IMPROVEMENT REQUIRED** to the Audit Committee.

### **G**ood practice

B s part of our review we have identified the following areas of good practice:

The frequency and scope of checks carried out meets, and often exceeds, regulatory requirements. This demonstrates the Council's commitment to safety in its sheltered schemes and the homeless unit.

### Areas requiring improvement

- 1. A single overarching policy should be drafted covering all safety checks to be carried out at sheltered schemes and the homeless unit, setting out the scope and frequency of works to be carried out and the associated record keeping and reporting requirements.
- A copy of the Electrical Inspection Condition Report (EICR) should be held on-site. In addition, consumer units should have a sticker attached indicating the date of last inspection and recommended date of next inspection, to comply with BS7671 514.12.1
- 3. The Council should consider introducing regular reporting to management of the outcomes of preventative maintenance checks.

### **Recommendations**

Based on the findings set out in the table below, where we detail three low recommendations, we feel that significant assurance can be provided to the Committee.

	High	Med	Low	Imp
Detailed findings	0	0	3	0

### Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

In this section we set out the detailed findings arising from our work. We have organised the findings by recommendation rating. Details of what each of the ratings represents can be found in Appendix 2

Risk Area	Findings and Recommendation	Action Plan
There are not clear policies and procedures in place for undertaking safety reviews at each identified location.	<ul> <li>Key findings</li> <li>The only formal policy in place is the Fire Precautions Approved Code of Practice from April 2017.</li> <li>The Code of Practice is clear on the frequency of checks to be carried out for emergency lighting, fire door and signage checks. It does not specify the scope of the checks to be carried out. Per discussion with the Housing Repairs Investment Manager, the scope of works is carried out in accordance with relevant industry regulations.</li> <li>As the Code of Practice only covers fire precautions, it does not cover the Electrical Inspection Condition Report (EICR), Portable Appliance Testing (PAT) testing or Gas checks. For these areas, the Council are following industry regulations which set out the required scope and frequency of works.</li> <li>The policy does not state when it is due for review.</li> </ul>	Actions: Create a Policy for safety checks in Sheltered Housing Schemes (Long corridor complexes) Responsible Officer: Corporate Safety, Health, Fire and Resilience Advisor Executive Lead: Director (Community Services)
	<ul> <li>Issue identified: The only formal policy in place is limited to fire precautions, it does not cover prepreventative maintenance checks. The policy also does not state when it is due to review.</li> <li>Root cause: Historically, it has not been considered necessary to have a formal written policy covering the pre-preventative maintenance checks as they are already covered by regulation or statute.</li> <li>Risk: The lack of a single formal policy covering all aspects of safety checks makes it more difficult to monitor compliance.</li> <li>Recommendations: A single overarching policy should be drafted covering all safety checks to be carried out at sheltered schemes and the homeless unit, setting out the scope and frequency of works to be carried out and the associated record keeping and reporting requirements. The policy should also clearly state the date it was adopted and the next scheduled review date.</li> <li>Overall conclusion: Despite the lack of a formal policy covering all aspects of safety checks, we did not note any incidents of non-compliance with either the existing Fire Precautions ACOP, or with industry regulations. Therefore we consider this to be a low risk recommendation.</li> </ul>	Due date: <b>31 March 2020</b>

In this section we set out the detailed findings arising from our work. We have organised the findings by recommendation rating. Details of what each of the ratings represents can be found in Appendix 2

	Risk Area	Findings and Recommendation	Action Plan	
	Inadequate records are kept to demonstrate that work has been undertaken in line with agreed policies and procedures	Key findings	Actions:	
		<ul> <li>We obtained copies of electronic and papers records covering checks of emergency lighting, fire doors and signage, Portable Appliance Testing (PAT) testing, Electrical Inspection Condition Report (EICR) and gas checks.</li> </ul>	Hard and electronic copies of EICRs should be forwarded to The Housing Assets and support	
		<ul> <li>We visited two sheltered schemes, Armada Court and Clarendon Court, to confirm whether records held on-site matched those held by the Council at Jubilee House.</li> </ul>	Teams Manager (HASTM) who is responsible for Sheltered housing. The HASTM will ensure	
гаде		• There was no on-site record of the EICR check having been carried out at Clarendon Court. Furthermore the sticker attached to the consumer unit showed that date of last inspection as 2016, despite the EICR being dated September 2018.	that the copies are then held on site along with other safety documentation for the scheme.	
	де 56	Recommendations:	EICR contractors will be reminded that the correct and up to date stickers should be	
		<b>Issue identified:</b> There was no on-site record of the EICR check having been carried out at Clarendon Court. Furthermore, the sticker attached to the consumer unit showed that date of last inspection as 2016, despite the EICR being dated September 2018.	adhered to Consumer Units on completion of the EICR tests.	
		Root cause: Both issues were due to oversight.	Responsible Officer:	
		Risk: Non-compliance with BS7671	Property Compliance Officer.	
		<b>Recommendations:</b> A copy of the EICR should be held on-site. In addition, external contractors should be reminded that consumer units should have a sticker attached indicating the date of last inspection and recommended date of next inspection, to comply with BS7671 514.12.1	Executive Lead:	
		Overall conclusion: Although there was no on-site record of the EICR having been carried out, the	Director (Community Services)	
		original EICR certificate was held at Jubilee House Therefore we consider this to be an <b>low risk</b> recommendation	Due date:	
			30 April 2019	

In this section we set out the detailed findings arising from our work. We have organised the findings by recommendation rating. Details of what each of the ratings represents can be found in Appendix 2

Risk Area	Findings and Recommendation	Action Plan
Management does not receive adequate or timely information to be assured that work undertaken is in line with the agreed timetables and covers all expected areas.	<ul> <li>Key findings</li> <li>Per discussion with the Housing Repairs Investment Manager, reporting on the results of safety checks and inspections varies depending on the type of check carried out. While gas and electrical inspection testing is reported to him on an agreed timetable, checks on fire doors and signage, Portable Appliance Testing (PAT) and emergency lighting, which is classed as preventative maintenance, is only reported by exception.</li> <li>Recommendations:</li> </ul>	Actions: The Housing Repairs Operation Manager will introduce regular reporting of the outcomes of preventative maintenance checks to The Housing Repairs Investment Manager who in-turn will ensure that the outcome of the monthly Preventative Maintenance checks for the
Root cause: Rep Risk: Lack of con Recommendation preventative main Overall concluse	<ul> <li>Issue identified: Reporting on the outcomes of safety and maintenance checks is inconsistent.</li> <li>Root cause: Reporting is undertaken based assessed need.</li> <li>Risk: Lack of consistent reporting makes it difficult to monitor compliance.</li> <li>Recommendations: The Council should consider introducing regular reporting of the outcomes of preventative maintenance checks.</li> <li>Overall conclusion: Although reporting is not consistent across difference checks, it is still carried out. Therefore we consider this to be a low risk recommendation.</li> </ul>	Sheltered schemes are reported to The Senior Leadership Team Responsible Officer: Housing Repairs Investment Manager Executive Lead: Director (Community Services) Due date:
		30 September 2019

### Appendices



Page 58

### Appendix 1 – Staff involved and documents reviewed

### **Staff involved**

- Housing Assets & Support Teams Manager
- Housing Repairs Investment Manager
- Housing Repairs Operations Manager
- Property Compliance Officer
- Senior Electrical Engineer

### **Documents reviewed**

• Fire Precautions Approved Code of Practice July 2017

### **Appendix 2 - Our assurance levels**

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

	Rating	Description
L affe	Significant assurance	Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management. These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review. Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.
	Significant assurance with some improvement required	Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management. Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review. Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.
	Partial assurance with improvement required	Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management. Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review. Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.
	No assurance	Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management. Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.

### Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

	Rating	Description	Possible features
_	High T	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul> <li>Key activity or control not designed or operating effectively</li> <li>Potential for fraud identified</li> <li>Non-compliance with key procedures / standards</li> <li>Non-compliance with regulation</li> </ul>
age of	D Medium	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul> <li>Important activity or control not designed or operating effectively</li> <li>Impact is contained within the department and compensating controls would detect errors</li> <li>Possibility for fraud exists</li> <li>Control failures identified but not in key controls</li> <li>Non-compliance with procedures / standards (but not resulting in key control failure)</li> </ul>
	Low	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul> <li>Minor control design or operational weakness</li> <li>Minor non-compliance with procedures / standards</li> </ul>
	Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul> <li>Information for management</li> <li>Control operating but not necessarily in accordance with best practice</li> </ul>



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### Leicestershire Revenues & Benefits Partnership

### **Revenues & Benefits Internal Audit report**

14 December 2018 Page 63

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2 Key Findings & Recommendations

### 3 Appendices

Page 64

### **Report distribution:**

### For action:

Revenue and Benefits Staff

### **Responsible Executives:**

Head of Revenues & Benefits Partnership

This report is confidential and is intended for use by the management and directors of the Leicestershire Revenues and Benefits Partnership. It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

It is the responsibility solely of the Partnership's management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.



### Background

Harborough, Hinckley and Bosworth and North West Leicestershire Councils formed a partnership in 2011 for the delivery of Revenues and Benefits services.

In 2017/18, the partnership spent £3.6 million in managing the services. At 31 March 2018, there was a caseload of 14,890 benefits claimants and 133,202 council tax dwellings and 9,619 business rate assessments had taken place during the year across the partnership.

The operations of the partnership are overseen by the management board, which meets monthly. This board comprises senior officers from all three councils and a joint committee, which meets quarterly and reviews the financial and operational performance of the partnership.

Diinckley and Bosworth Council are the lead body for the partnership and, as their auditors, we have undertaken an audit of the partnership. The three constituent authorities will take assurance from this and report back via their wyn governance procedures accordingly.

### Objectives

The objective of the review is to provide an independent assessment of the key risks , the design and operational effectiveness of the Council's arrangements for:

- · Debt recovery arrangements for business rates, council tax and housing benefits
- Management of business rate discounts and reliefs with particular focus on the operational effectiveness of business rate reviews for small businesses.

We will achieve the objectives of our review by:

- reviewing key documents that support these arrangements such as internal policy and procedure documents in this area;.
- interviewing key staff to gain an understanding of the design of controls surrounding the management of the electoral register;
- undertaking sample testing, as appropriate, to test the operational effectiveness of key controls.

A more detailed breakdown of the risk areas that we will focus on in each section of the report is provided overleaf.

The findings and conclusions from this review will be reported to the Partnership management board and joint committee and will be considered by the Head of Internal Audit for each council when forming their 2018/19 annual opinion.

### Limitations in scope

Please note that our conclusion is limited by scope. Our findings and conclusions will be limited to the risks outlined above. The scope of this audit does not allow us to provide an independent assessment of all risks and across the entire debt recovery process.

Where sample testing has been undertaken, our findings and conclusions are limited to the items selected for testing. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.

This report does not constitute an assurance engagement as set out under ISAE 3000.

Details of the Scope of our work:

### Debt recovery

We have reviewed the design and operating effectiveness of the arrangements in place for recovery of council tax, benefits and business rate arrears across the partnership, to reflect the joint approach to these arrangements.

Our review focussed on the following potential risks (Please note, these are potential risk areas identified by our initial planning assessment and against which we have performed audit procedures. The list below does not detail our findings, which are included later in the report.):

- Policies and procedures to recover debts are not clear, are not understood, or are not being appropriately or consistently applied;
- Information on debt arrears and recovery is not appropriate or timely, so ٠
- management may not have a good understanding of performance, risks υ age and action being taken;
- There is inadequate differentiation between debts so that the most
- တ appropriate debt recovery strategy is not being applied, or debts are ດ inappropriately prioritised; and
- There is inadequate management of disputes.

### Business rate reviews

Our review focussed on the following potential risks:

- The approach to applying business rate discounts and undertaking rate • reviews is not clearly set out in policies and procedures;
- · There is a risk that regulations are being applied inconsistently or ineffectively:
- There is a risk that credit balances are not returned to rate payers and • debts are not pursued in line with procedures;
- Controls around processing of changes are not adequate;
- Management information is not adequate, timely or acted upon;
- Procedures are not in place to ensure the accuracy of information in relation to the Pooling arrangement.

Our findings and conclusions are limited to the risks identified above. The scope of this audit does not allow us to provide an independent assessment of all risks and controls across the entire management of the electoral register process.

Where sample testing has been undertaken, our findings and conclusions will be limited to the sample tested only. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.

### Consideration of other audit points or areas relevant to this review

Not applicable.

### Reliance on other audits

Not applicable.

### Conclusion

### Significant assurance with some improvement required

We have reviewed the Partnership's processes and controls around recovery of debtor balances and monitoring of business rate reliefs. The controls tested are set out in our Audit Planning Brief.

We have concluded that the processes provide **SIGNIFCANT ASSURANCE WITH SOME IMPROVEMENTS REQURIED** to the Committee.

### Good practice

Reporting to the Joint Committee was timely and detailed, providing a significant amount of information.

6

- There was strong evidence that the Partnership was able to take a nuanced approach to debt management, with clear provision for proportionality of responses in cases relating to vulnerable individuals or those experiencing genuine hardship.
- 3. The Partnership has robust controls in place around ensuring that settlement of credit balances is made appropriately.
- 4. There was evidence that Partnership staff went above and beyond legislative requirements by ensuring that all applications for Small Business Rates Relief include an affirmation that no secondary assessments exist.
- 5. Sample testing confirmed that the Partnership's controls around processing of changes to Rateable Value and NDR parameters were functioning effectively.
- 6. We found good levels of compliance with relevant legislation during testing of application of Business Rate Reliefs.

### Areas for development

- 1. The Partnership should look to review its control report and quality assurance framework to ensure that reports are produced and reviewed on a timetable as opposed to ad hoc basis.
- 2. Review cases where inappropriately applied "holds" cause delays in recovery process, as set out in the report.
- 3. Ensure that significant Council Tax debtor balances with Partnership member authorities are resolved in a timely fashion.

### Recommendations

Based on the findings set out in the table below, where we detail five low recommendations and three improvement points we feel that significant assurance can be provided to the Joint Committee.

	High	Med	Low	Imp
Detailed findings	-	-	5	3

### Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

Risk Area	Findings and Recommendation	Action Plan
Debt Recovery: Policies and procedures are not clear, are not understood, are not being appropriately or consistently applied.	<ol> <li>Key findings         <ol> <li>Debt recovery policies were aligned for all three councils within the partnership. This meant that the response to debt recovery was consistent across all three entities leading to greater clarity in processing debtor balances and a more efficient approach. Sample testing across all three councils showed that the incremental debt recovery policy had been adhered to in all cases.</li> <li>The policy itself makes a clear provision for proportionality of response, something which was evidenced during sample testing where we noted that the Partnership was able to agree a lower rate of repayment in instances where debtors could demonstrate genuine hardship or vulnerability, something which aligns itself with the individual Councils' commitment to balance debt recovery with contributing to the overall wellbeing of local populations.</li> <li>However, the final stage of the incremental policy allows for enforcement or legal action (in line with the legislative requirements of each of the three different types of balances reviewed). It was here that we noted some procedural issues, largely relating to application of circumstance codes or similar "holds" on accounts which were then missed from reviews or otherwise left in place, leading to delays in further recovery activity.</li> </ol> </li> <li>We noted that the Partnership maintains a master work distributor spreadsheet which monitors the variance reports run in order to identify accounts under individual circumstance codes and review subsequent response rates. However, the reports appear to be run on an ad hoc as opposed to a timetabled basis. Furthermore, we note that there is no formalised internal quality assurance or review process.</li> </ol>	
	<ul> <li>Issue identified: Further recovery activity was delayed in some cases owing to accounts subject to a "hold" being missed from subsequent reviews. Of 90 cases tested across Council Tax, NDR and Housing Benefit overpayments debtors, we noted a total of 15 where this was the case (9 Council Tax and 6 Housing Benefit Overpayments. Whilst the process of using circumstance codes to place a hold on recovery activity is a common process across the Partnership we also note that our sample testing did not pick up any such issues in the area of NDR.).</li> <li>Root cause: Per discussions with Partnership staff, resourcing constraints have made introducing regular checks a challenge. However, some cases appeared to have been included in a report but not actioned as a result of human error.</li> <li>Risk: Failure to correctly progress recovery activity risks delayed receipt of council funds and increase of arrears balances.</li> <li>Recommendation: The Partnership should look to review its control report and quality assurance framework to ensure that reports are produced and reviewed on a timetable as opposed to ad hoc basis.</li> <li>Overall conclusion: Given the financial challenges facing the constituent councils, debt recovery is a key issue and therefore we deem this to be a low level recommendation.</li> </ul>	Actions: Diaries by officers should be reviewed on a weekly basis to ensure any issues are resolved and recovery of the debt continues.The sample number of cases reflects a disproportionate figure of the accounts currently held for recovery.Responsible Officer: Karen WaterfieldDue date: 31st January 2019

Risk Area	Findings and Recommendation	Action Plan
<b>Debt Recovery:</b> Policies and procedures are	Recommendations (continued):	Actions: Customer service (CS) holds have been removed and will
not clear, are not understood, are not being appropriately or consistently applied.	<b>Issue identified:</b> Two cases were noted where holds had been placed on an account via the Customer Service contact centre as opposed to Partnership debt recovery teams. In one case, this hold had been in place since 2016.	be monitored. CS have been advised not to use this functionality in the future, however Capita does not allow for us to remove this given CS do need access to this screen. <b>Responsible Officer</b> : Karen Waterfield / Claire Stone <b>Due date:</b> Completed before
	<b>Root cause:</b> Customer service agents are able to place holds on accounts independently of Partnership debt recovery staff.	
	<b>Risk:</b> This may lead to lengthy delays in recovery and increase in arrears as accounts are placed on hold as opposed to further recovery activity taking place.	
	<b>Recommendation:</b> The Partnership should look to update system functionality to remove the ability of customer service agents to make these adjustments.	
	<b>Overall conclusion:</b> We noted that this occurred on a low number of accounts therefore we deem this to be a <b>low level recommendation.</b>	findings delivered
σ		
Page 69	<b>Issue identified</b> : A large (greater than £30k) debtor balance for Council Tax arrears in the name of one of the constituent councils. Upon closer review, it was noted that these balances related to temporary accommodation wherein the Council agreed to take responsibility for payment of Council Tax to the partnership on behalf of its tenants.	Actions: SQL now in place to run on a monthly basis. LA has received request for payment and an email chasing payments.
	<b>Root cause:</b> Current Partnership procedures prevent a summons or similar collection notice being presented to the Council therefore leading to a delay in resolution of these issues.	Information will be issued via a spreadsheet as near to the first of
	<b>Risk:</b> Failure to resolve the issue may lead to a build up of arrears and a perception of lack of equity in treatment of debtor balances.	the month as possible. Responsible Officer: Karen
	<b>Recommendation:</b> The Partnership should look to create an SQL script to identify all of these balances and proactively speak to the constituent council to resolve this issue either by settlement of the balance or by application of a relief to the properties in question.	Waterfield <b>Due date:</b> Completed before findings delivered
	<b>Overall conclusion:</b> Given the size of the balance, it is important that a resolution is achieved in a timely fashion and therefore we deem this to be a <b>low level recommendation</b> .	

Risk Area Findings and Recommendation		Findings and Recommendation	Action Plan
	Debt Recovery: Policies and procedures are not clear, are not understood, are not being appropriately or consistently applied.	Recommendations (continued):	Actions: One case identified
- ugu		<ul> <li>Issue identified: There was uncertainty around whether some accounts which were flagged as having been outsourced to enforcement agents were still being actively chased by those agents or whether they had been returned to the Partnership.</li> <li>Root cause: There is currently no automatic interface between IT systems used by the enforcement agents and the Partnership's systems.</li> <li>Risk: This may lead to lengthy delays in recovery and increase in arrears.</li> <li>Recommendation: We understand that the Partnership is in the process of exploring the option of an automatic interface between its systems and the enforcement agencies as well as completing a reconciliation between the two parties to agree which balances should be being recovered by each. We recommend that the Partnership makes all efforts to expedite the implementation of these arrangements.</li> <li>Overall conclusion: We note that the Partnership are taking steps to resolve this issue. However, we see this as an important issue and therefore deem this to be a low level recommendation.</li> </ul>	recorded at the enforcement agent was established that this was not the case Case reconciliation routine to be adopted to ensure totals and values are both reconciled with all parties. Secondly that existing cases are reconciled with enforcement agents <b>Responsible Officer:</b> Karen Waterfield & Claire Stone <b>Due date</b> : May 2019
	70	Issue identified: We noted a number of other circumstances which contribute to delays in recovery. These included: accounts with an attachment of benefits or PDP flag (in relation to Housing Benefit Overpayment balances) where no payments were being collected; accounts with forward action dates; accounts with administrative penalties where payment arrangements were set consecutively as opposed to concurrently and therefore collection notices on certain balances would not be issued for several years. Root cause: The presence of existing circumstance codes presented these accounts from being subject to further review. Risk: Failure to identify these issues may result in lengthy delays in collection processes and build up of arrears. Recommendation: The Partnership should look to create SQL scripts to identify and review the examples identified, as well as building in regular reviews of accounts with these circumstance codes as part of its internal quality processes. Overall conclusion: Given the frequency of occurrence of these types of issues, we deem this to be a low level recommendation.	Actions: Create a bespoke sql to identify cases where no payment has been received from the DWP. Liaise with DWP to identify as to the reason why Responsible Officer: Karen Waterfield / Claire Stone Due date: February 2019
Risk Area	Findings and Recommendation	Action Plan	
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Debt recovery: Information on debt arrears and recovery is not appropriate or timely, so management may not have a good understanding of performance, risks and action being taken.	<ol> <li>Key findings         <ol> <li>The Partnership provides sufficient management information to the Joint Committee on both in year collection and arrears balances by individual councils on a monthly basis.</li> <li>Monthly management reports also include performance indicators relating to both in year collection rates and reduction of arrears and profiled targets with reference to prior period comparators for each council.</li> </ol> </li> <li>Monthly reports also detailed other relevant information, such as upcoming contract tenders for the enforcement agents employed by the Partnership and action on fraud detection as well as context on variance against</li> </ol>		
Page 71	<ul> <li>Issue identified: Monthly management reports did not include a profile of aged debtors balances.</li> <li>Root cause: No performance indicator included in management reports for age of debtor balances.</li> <li>Risk: Without information on the age of debtor balances, management may miss an opportunity to identify balances for write off or otherwise adjust collection activity for long term arrears balances.</li> <li>Recommendation: The Partnership should consider including a profile of the age of debtor balances or each council within its monthly performance reports.</li> <li>Overall conclusion: Overall, the level of information provided to the Joint Committee is significant, timely and appropriate and therefore we deem this to be an improvement point.</li> </ul>	Actions: An active decision was taken by the management board that this be excluded from the performance report. Management Board do not make decisions regarding write offs that a matter for the partnership. Recommendations are made to the relevant section 151 officers if and when the value is above £1,000. Due date: n/a	

9

Risk Area	Findings and Recommendation	Action Plan
<b>Debt Recovery:</b> There is inadequate differentiation between debts so that the most appropriate debt recovery strategy is not being applied, or debts are not appropriately prioritised.	<ol> <li>Key Findings:</li> <li>Whilst debt recovery policies relating to the balances which are dealt with by the Partnership are aligned across the three councils, clear provision is set out within the policy for variations in debt recovery activity for class of transaction.</li> <li>Collection of each individual type of debt is handled by separate teams within the Partnership. Sample testing of recovery activity against each type of debt showed that relevant legislation was followed appropriately for each type of balance.</li> </ol>	Actions: N/A
Page 72	<ol> <li>Furthermore, the policy makes provision for proportionality of response to debtor balances. As previously referred to we noted one case with a balance of greater than £5,000 where monthly payments of £60 had been agreed owing to evidence of significant hardship. This is in line with the overall strategic aims of individual councils around balancing the need for fiscal prudence and enforcement of debt with concern for the overall wellbeing of responsible populations.</li> <li>In some instances, as referred to previously, we noted cases where recovery activity appeared to have stalled owing to issues around updating recovery activity once the enforcement or legal action stage has been reached. However, we feel that these issues relate primarily to application of policies and procedure notes as opposed to an issue with differentiation between types of debtor balances and have made recommendations accordingly in that section of the report.</li> <li>Furthermore, whilst the Partnership applies policies consistently across all three council's balances, the councils retain individual, discrete environments within the Partnership's IT systems and therefore we noted no issues with allocation of balances between the appropriate councils.</li> </ol>	
	<b>Recommendations</b> Per the above, we have made no specific recommendations against this section of the report.	

Risk Area	Findings and Recommendation	Action Plan
Debt Recovery:	Key Findings:	
There is inadequate management of disputes.	<ol> <li>Based on the results of our sample testing, disputed balances, predominantly appeared to relate to issues relating to changes to properties which are under review by the Valuation Office Agency (VOA) which tended to be slow to respond and resolve such queries.</li> </ol>	Engage with our relationship manager at the Valuation Office Agency with regard to delays as and when they arise
	2. We also noted one NDR debtor balance resulting from a lengthy review of whether the debtor was entitled to a charitable relief. This arose as a result of the highly prescriptive policy on charitable reliefs of one of the constituent councils of the Partnership.	For the Section 151 Officer to review current guidelines. The policy has been prescriptive since April 1990.
	Recommendations:	· · ·
	<b>Issue Identified:</b> In the field of NDR balances, lengthy delays in resolution of issues from the VOA led to a number of disputed arrears balances.	<b>Actions</b> : Monitor outstanding BA reports directly with relationship manager
	Root cause: Lengthy response times to issues from the VOA.	Responsible Officer: Jane Brown
P	<b>Risk:</b> Delays in response times could lead to increased arrears, loss of council funds and inefficient expenditure of resources on non-collectible balances.	Due date: Effective immediately
Page	<b>Recommendation:</b> The Partnership should seek to proactively identify these accounts and engage with the VOA more frequently in an attempt to expedite collection of these balances.	
73	<b>Overall conclusion:</b> Whilst the nature of these disputes raises an issue for the Partnership, we recognise that to a large extent the response times of the VOA are outside of the control of the Partnership. Therefore, we deem this to be an <b>improvement point</b> .	
	<b>Issue identified:</b> Highly prescriptive policy on eligibility for charitable reliefs led to a delay in resolution of debtor issues.	<b>Actions;</b> Any changes to existing guidelines rate payers require 12 months
	<b>Root cause:</b> Constituent council relief policy does not allow for flexibility on the Partnership's part in interpretation and requires senior management input from the council to resolve which is difficult and costly to arrange.	notice of the effective change being 1 <sup>st</sup> April Dialogue has taken place regarding this
	<b>Risk:</b> Difficulties in applying policies at the Partnership level can lead to delays in collection,	matter.
	loss of community goodwill following a dispute with a charitable organisation and inefficient	Responsible Officer: Leigh Butler
	expenditure of resources on both the part of the council and the Partnership. <b>Recommendation:</b> The Partnership should engage with all constituent councils to harmonise policies in all areas as far as possible.	Due date: TBC
	<b>Overall conclusion:</b> Whilst potential arrears are an issue, this affected a small number of	
	accounts (1 of 30 tested) and relates to an issue where constituent councils may have differing strategic aims. Therefore we deem this to be an <b>improvement point</b> .	

Risk Area	Findings and Recommendation	Action Plan
Business Rate Discounts: The approach to applying business rate discounts and undertaking rate reviews is not clearly set out in policies and procedures.	<ol> <li>Key Findings:         <ol> <li>Sample testing of 30 reliefs and discounts applied suggested that in all cases the Partnership had appropriately acted in line with individual council polices and relevant legislation.</li> <li>The approach to carrying out the current small business rates review appeared logical and consistent with the desired outcome of improving council data and identifying issues with application of rate reliefs.</li> <li>We were able to obtain details of the team's policy and procedure notes and monitoring process for the review.</li> </ol> </li> </ol>	Actions; N/A
Page 74	Recommendations: Based on the findings above we have no specific recommendations against this area.	

Risk Area	Findings and Recommendation	Action Plan
Business Rate Discounts: There is a risk that regulations are being applied inconsistently or ineffectively.	<ol> <li>Key Findings:</li> <li>Sample selection for testing on application of rates reliefs was weighted based on the volumes of each individual relief.</li> <li>Of 22 Small Business Rates Reliefs tested across all 3 Councils, 19 had a signed application form attached. In all cases, we checked that the Rateable Value was correct and eligible for SBRR against VOA records.</li> <li>In 3 cases, no signed application form was attached either as a result of an issue with</li> </ol>	Actions: N/A
Page 75	<ol> <li>In 3 cases, no signed application form was attached either as a result of an issue with scanning on older paperwork when council records were digitised prior to the creation of the Partnership or as a result of possible splits or mergers on properties meaning original applications were attached to separate records. However, in all cases above we noted that the RV entitled the claimant to SBRR.</li> <li>A further 3 cases where Mandatory Discretionary Relief had been applied across all three councils were reviewed. In all of these cases, appropriate documentary evidence of the claimant's eligibility for the mandatory element of this relief had been received and scanned on to the file.</li> <li>However, in one case there was a delay around the application for the discretionary relief owing to issues around the prescriptive nature of one of the constituent council's policies, a recommendation around which has been made at the debt recovery section.</li> <li>A further 5 cases of Section 31 reliefs were tested. Application of these is at the discretion of the individual councils. Underlying workings were obtained for all three entities and, based on testing, we are satisfied that the reliefs were applied in a logical and consistent fashion to ensure that available funds were distributed equitably to appropriate recipients.</li> </ol>	

Risk Area	Findings and Recommendation	Action Plan
Business Rate Discounts: There is a risk that credit balances are not returned to rate payers and debts are not pursued in line with procedures.	<ol> <li>Key Findings:</li> <li>Across all three council areas, there are accounts in credit to the value of £754k.</li> <li>Following a fraud issue in a previous year, the partnership will only authorise payment of a credit balance upon receipt of a signed confirmation of bank details from the proposed payee, except for cases where an active Direct Debit mandate is in place. Given the potential for fraudulent activity and related misappropriation of funds, this is an appropriately robust control.</li> </ol>	Actions: N/A
Page 76	<ol> <li>£523k of this figure related to one account whereby a ratings company acting on behalf of their client had continued to pay on account for a property which had been vacated in late 2017 and remains empty, with payments only ceasing in late 2018. We also note on this account that numerous attempts to obtain appropriate documentation to enable settlement of the balance had been made by Partnership staff, who encountered significant difficulty in obtaining a response from the ratings company. Furthermore, based on discussions with Partnership staff since the date of our audit work we understand that this balance has now been repaid.</li> <li>Of the remaining balances, a majority also relate to larger corporate clients who have ended tenancies or had rate adjustments.</li> <li>Recommendation:</li> <li>Based on the above, we have no specific recommendations in this area.</li> </ol>	

Risk Area Findir	ings and Recommendation	Action Plan
Discounts: Controls around processing of changes are not adequate. 2. W co 3. As sr ch de ev pr Page 7 Per th around	Findings: Sample testing of 30 accounts across all three councils in respect of application of business rates reliefs found that in all cases the Rateable Value per the Partnership's internal records agreed with external records held by the VOA. We reviewed NDR parameters within each of the individual IT environments for each council and noted that these values were correctly updated. As referred to in the debt recovery section of the report, we noted that there were a small number of cases where disputes had arisen owing to disagreements relating to changes to existing properties. The key determining factor in these issues tended to be delays in response times by the VOA and therefore we do not deem these delays to be evidence of failure to appropriately process changes to parameters or individual properties on the part of the Partnership.	Actions; N/A

Risk Area	Findings and Recommendation	Action Plan
Management information is not adequate, timely or acted upon.	<ol> <li>Key Findings:</li> <li>Financial statements information for each of the three councils (including the level of discounts and reliefs applied) is included within monthly performance reports to management.</li> <li>These have been reviewed for consistency with underlying data with no issues noted.</li> </ol> Recommendation:	Actions: N/A
Page 78	Based on the above, we are satisfied that the level of reporting to management is satisfactory and have made no recommendations against this area of the report.	

Risk Area	Findings and Recommendation	Action Plan
Procedures are not in place to ensure the accuracy of information in relation to the Pooling arrangement.	<ol> <li>Key Findings:         <ol> <li>Pooling arrangements are predominantly the responsibility of finance staff at the constituent councils.</li> <li>Financial statement information output reports are supplied for each of the councils which form the basis of NDR pooling reports which are also submitted to member council finance staff.</li> <li>We reviewed NDR pooling reports for each of the three councils and checked for consistency with underlying system reports with no issues noted.</li> </ol> </li> </ol>	Actions: N/A
Page 79	Based on the above, we are satisfied that the Partnership has adequate arrangements in place to support NDR Pooling and therefore we have made no recommendations against this section of the report.	

# Appendices





# Appendix 1 – Staff involved and documents reviewed

## Staff involved

- Leigh Butler Business Development & Support Manager
- Jane Brown NDR team leader
- Karen Waterfield Council Tax team leader

## **Documents reviewed**

- Debt Recovery and Charitable Relief Policies
- Management information reports to Joint Committee and underlying supporting documents
- Underlying supporting documents for application of Section 31 reliefs

# **Appendix 2 - Our assurance levels**

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

	Rating	Description
гаде	Significant assurance	Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management. These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review. Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.
	Significant Sassurance with some improvement required	Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management. Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review. Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.
	Partial assurance with improvement required	Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management. Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review. Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.
	No assurance	Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management. Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.

# Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

	Rating	Description	Possible features
_	High T	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul> <li>Key activity or control not designed or operating effectively</li> <li>Potential for fraud identified</li> <li>Non-compliance with key procedures / standards</li> <li>Non-compliance with regulation</li> </ul>
(	Medium	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul> <li>Important activity or control not designed or operating effectively</li> <li>Impact is contained within the department and compensating controls would detect errors</li> <li>Possibility for fraud exists</li> <li>Control failures identified but not in key controls</li> <li>Non-compliance with procedures / standards (but not resulting in key control failure)</li> </ul>
	Low	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul> <li>Minor control design or operational weakness</li> <li>Minor non-compliance with procedures / standards</li> </ul>
	Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul> <li>Information for management</li> <li>Control operating but not necessarily in accordance with best practice</li> </ul>



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# **Progress Report**

Year ending 31 March 2019

Hingkley and Bosworth Borough Council 11@pril 2019 ©



## **Introduction & headlines**

## Purpose

This report provides an update on progress against the 2018/19 internal audit plan.

## **Final reports issued**

We have finalised three audit reports since the last Audit Committee meeting

Audit completed	Overall assurance rating
Leigestershire Revenues and Better fits	Significant assurance with some improvement required
Hopping rents sundry debt	Significant assurance with some improvement required
Housing repairs	Significant assurance with some improvement required

#### Work completed

As at the date of preparing this report, we have completed 102.5 days (79%) of our annual internal audit plan. We are close to completing our work on the crematorium and housing revenue account business case and the reports will be issued in April. The lightbulb / DFG review is currently being finalised.

#### Work planned

We have had scoping meetings with management for the final outstanding pieces of work on estates and assets. The field work for this will be undertaken in April.

#### **Recommendation tracking**

Report	No. of recommendations due	Actioned
Legacy reports	1 low risk	Yes
Risk management	2 low risk	Yes
Debt management	1 low risk	Yes
Electoral register	1 low risk	Yes
GDPR	1 low, 3 improvement.	ТВС
Financial systems Q3	1 low	Yes

## Resourcing

We confirm that we have sufficient resources available to deliver the remainder of the internal audit. The remaining reports and the Head of Internal Audit Opinion will be presented to the July Audit Committee.

## Progress against 2018/19 internal audit plan

Audit	Planned days	Start date	APB agreed	Fieldwork started	Fieldwork completed	Debrief held	Draft report sent	Mgt response received	Final report sent	Days used
Electoral register	10	Q2								10
Risk management	10	Q2								10
IT (GDPR)	12	Q2								12
Finance Q1 & Q2	12	Q2								12
Finance Q3	4	Q3								4
Finance Q4	4	Q4								0
Sundry debt	Included in Finance	Q3								Included in above
Housing debt rent recovery	Q1&Q2 -	Q3								3
Estates and Assets	12	Q4								0
Houging HRA business plan	9	Q4								7
Housing repairs	9	Q4			-					9
Private sector housing (lightbulb/DFG)	8	Q4								8
Crematorium	8	Q3								7
Revenues and benefits partnership	10	Q3								10
Sub-total	108									92
Recommendation follow up	4	Ongoing								3
Contract management and administration	3	Ongoing								3
Annual risk assessment and planning	3	Complete								3
Attendance at audit committee meetings	2	Ongoing								1.5
Contingency	10									0
Sub-total	22									10.5
Total	130									102.5

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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## Agenda Item 11



Hinckley & Bosworth Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

AUDIT COMMMITEE

11 April 2019

WARDS AFFECTED: All Wards

## NON PURCHASE ORDER PAYMENTS UPDATE

## **Report of Head of Finance**

- 1. <u>PURPOSE</u>
- 1.1 To provide feedback to Members in relation to issues raised by our previous Internal Auditors PWC in relation to the types of non-purchase order payments (PO) that have been processed through the finance system.
- 2. <u>RECOMMENDATION</u>
- 2.1 That the Committee note the report.
- 3. BACKGROUND
- 3.1 PricewaterhouseCoopers (PWC) presented a summary report on types of transactions that are paid without purchase orders.
- 3.2 Members requested further information on the types and values of transactions. For all types of transactions, costs are still monitored and variances are reported in accordance with financial procedure rules.
- 3.3 The data for 2017/18 and the first three quarters of 2018/19 is summarised in the graphs and tables below. Graph 1 indicates that about 50%-55% would appear to have no PO, but there are reasons why this is justifiably the case.



Graph 1: Summary of transactions paid without purchase orders.

3.4 An analysis of the areas of spend for non-purchase order for the first three quarters of 2018/19 indicates that the vast majority is on transaction where no PO is required. See the graphs below.





## 4. <u>EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION</u> <u>PROCEDURE RULES</u>

- 4.1 Report to be taken in open session
- 5. FINANCIAL IMPLICATIONS (AW)
- 5.1 None
- 6. LEGAL IMPLICATIONS (FA)
- 6.1 None
- 7. <u>CORPORATE PLAN IMPLICATIONS</u>
- 7.1 To ensure the Council's governance arrangements are robust
- 8. CONSULTATION
- 8.1 Not required
- 9. RISK IMPLICATIONS
- 9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
- 9.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
None		

## 10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

Various reliefs are available for council tax under national and local regulations.

## 11. CORPORATE IMPLICATIONS

By submitting this report, the report author has taken the following into account:

- Community Safety
   implications
- Environmental implications
- ICT implications
- Asset Management
   implications

- Human Resources
   implications
- Planning Implications
- Voluntary Sector

Background Papers:	Civic Reports
Author:	Ashley Wilson, Head of Finance Ext 5609
Executive Member:	Cllr C. Ladkin.