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

Date: 02 January 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 the De Montfort Suite, Hinckley Hub on **THURSDAY, 10 JANUARY 2019 at 6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

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

Rebecca Owen
Democratic Services Officer

AUDIT COMMITTEE - 10 JANUARY 2019

A G E N D A

1. APOLOGIES AND SUBSTITUTIONS
2. MINUTES OF PREVIOUS MEETING (Pages 1 - 2)
To confirm the minutes of the previous meeting.
3. ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES
To be advised of any additional items of business which the Chairman decides by reason of special circumstances shall be taken as matters of urgency at this meeting (to be taken at the end of the agenda)
4. DECLARATIONS OF INTEREST
To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the agenda.**
5. QUESTIONS
To hear any questions received in accordance with Council Procedure Rule 12.
6. INTERNAL AUDIT REPORT: ELECTORAL REGISTER (Pages 3 - 16)
Report of the Internal Auditor.
7. INTERNAL AUDIT REPORT: GENERAL DATA PROTECTION REGULATION (GDPR) (Pages 17 - 36)
Report of the Internal Auditor.
8. INTERNAL AUDIT REPORT: SUNDRY DEBT RECOVERY (Pages 37 - 52)
Report of the Internal Auditor.
9. INTERNAL AUDIT REPORT: FINANCIAL SYSTEMS QUARTER 3 (Pages 53 - 68)
Report of the Internal Auditor.
10. INTERNAL AUDIT PROGRESS REPORT (Pages 69 - 72)
Report of the Internal Auditor.
11. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY
As announced under item 3 above.

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

AUDIT COMMITTEE

22 NOVEMBER 2018 AT 6.30 PM

PRESENT: Mr RB Roberts - Chairman

Mr RG Allen (for Mrs R Camamile), Mr KWP Lynch, Mr DW MacDonald and Mr HG Williams

Officers in attendance: Julie Kenny and Ashley Wilson

277 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillors Camamile, Sutton and Taylor, with the substitution of Councillor Allen for Councillor Camamile authorised in accordance with council procedure rule 10.

278 MINUTES OF PREVIOUS MEETING

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

RESOLVED – the minutes of the meeting held on 26 July 2018 be confirmed and signed by the chairman.

279 DECLARATIONS OF INTEREST

No interests were declared at this stage.

280 HOUSING BENEFIT ASSURANCE PROCESS 2018/19

Members received a letter from the external auditor setting out the fees for completing the housing benefit assurance process for 2018/19.

RESOLVED – the letter and fees be noted.

281 AUDIT PROGRESS REPORT

The committee received an update from the internal auditors setting out their progress against the agreed audit plan.

RESOLVED – the report be noted.

282 INTERNAL AUDIT PLAN

Consideration was given to the plan which had been revised since the last meeting following a meeting with officers. It was noted that the only changes to the content were about the timings of planned audits rather than changes to the subject matter.

RESOLVED – the plan be approved.

283 INTERNAL AUDIT REPORT: RISK MANAGEMENT

Members received the report which gave significant assurance and included only two low recommendations and two improvement points relating to best practice.

RESOLVED – the report be noted.

284 INTERNAL AUDIT REPORT: FINANCIAL SYSTEMS QUARTER 2

Members were presented with a report which gave significant assurance and included four low recommendations and three improvement points.

Following questions, members were reassured that the issues relating to the timeliness of reconciliation processes at year end arose as a result of resources and as the team was not fully staffed, this should not be an issue in future. Members were also advised that the delay was never longer than ten days in any event so the delay was not significant.

RESOLVED – the report be noted.

285 INTERNAL AUDIT RECOMMENDATION UPDATE

Members received a report which following up on matters raised at a previous meeting where concern had been expressed about the level of outstanding management actions from previous audits. Members were advised that, of the 55 actions previously reported as outstanding, only three were now outstanding and these were not yet due.

RESOLVED – the report be noted.

(The Meeting closed at 7.00 pm)

CHAIRMAN

Hinckley and Bosworth Borough Council

Electoral Register Internal Audit report

28 November 2018

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Agenda Item 6

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2 Key Findings & Recommendations

3 Appendices

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Report distribution:

For action:

- Director (Corporate Services)
- Electoral services staff

Responsible Executives:

- Director (Corporate 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.



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Executive Summary

Background

The electoral registration system in Great Britain changed in 2014, to a system called the Individual Electoral Registration (IER). Previously, the head of household was responsible for registering everyone who lived at the address, but now every individual is responsible for their own voter registration.

The change in approach allowed more convenient registration for example, by internet, telephone or by post. As the change to the new system required more details before individuals could be added to the register (NI number and date of birth) it was felt that the electoral register would be more secure and more resistant to threats of electoral fraud. However, this brings with it the heightened need to ensure the data is correctly protected.

Electoral Services are responsible for the preparation and annual publication of the electoral register each year and also maintaining the register during the year, ensuring the data is up to date and correct.

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 management of the electoral register.

Our review focused on the potential risks:

- Canvassing is not carried out in a manner compliant with relevant legislation and does not ensure highest possible completeness of data set;
- Project management arrangements are not sufficient to ensure timely and accurate registration of electors;
- Information is not sufficiently secure and held in accordance with relevant data protection legislation;

Further details on responsibilities, approach and scope are included the Audit Planning Brief issued in August 2018.

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 controls across the entire management of the electoral register 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

Significant assurance

We have reviewed the Council’s policies and procedures for data gathering and maintenance of the electoral register and performed sample testing on data entry and processing carried out in this area. The controls tested are set out in our Audit Planning Brief.

We have concluded that the processes provide **SIGNIFICANT ASSURANCE** to the Committee.

Good practice

1. The Council has extensive policies, procedure notes, planning and risk assessment documentation in place. In the majority of cases the Council’s procedures complied with best practice guidelines set out by the Electoral Commission.
2. Data entry and processing are timely and accurate; we found no errors during sample testing.
3. The Council’s Public Engagement Strategy showed good evidence of working with partner organisations, responding to geographical analysis of prior year performance and adjustments to covering documentation to maximise public response rates. Our testing suggested that this resulted in an increase in response rates at the initial HEF (Household Enquiry Form) and first reminder stages.

Areas for development

1. The Council should update policies and procedures to document procedures around exception reporting and data cleansing.
2. The Council should update canvasser guidance to include mandatory requirements on updating to a unique user specific password.

Recommendations

We have raised two low risk recommendation to address the minor weaknesses identified as well as two improvement points.

	High	Med	Low	Imp
Detailed findings	-	-	2	2

Acknowledgement

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

Key Findings & Recommendations

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

Risk Area	Findings and Recommendation	Action Plan
<p>Canvassing is not carried out in a manner compliant with relevant legislation and does not ensure highest possible completeness of data set.</p>	<p>Key findings</p> <p>As part of our review we assessed the Council's canvassing strategy and procedure notes against Electoral Commission guidance. We found that the Council's procedures were compliant in a majority of areas, with no omissions noted that would present significant risk to the overall delivery of the project.</p> <p>Recommendations</p>	<p>Actions:</p> <p>The team have introduced additional checks since the auditors raised this as an issue, all forms are now checked by a different team member. The team will look into adding additional checking mechanisms to adding signatures/ other evidence of processing for HEF batches.</p> <p>Responsible Officer: Mark West</p> <p>Executive Lead: Julie Kenny</p> <p>Due date: 1/6/2019 (in time for the next canvass)</p>
	<p>Issue identified: As part of its data entry processes, the Council does not include a segregation of duties control when inputting data from HEFs.</p> <p>Root cause: Control not included in Council procedures.</p> <p>Risk: Possibility of incorrect data recorded against elector records.</p> <p>Recommendations: The Council should consider implementing a segregation of duties control in Express whereby data entry work is checked by another team member.</p> <p>Consideration should also be given to adding a stamp, signature or other evidence of processing to batches of hard copy HEFs which have been input to prevent possibility of responses being missed.</p> <p>Overall conclusion;</p> <p>Although we have identified a risk, testing did not note any errors in data entry. Therefore, we consider this to be an improvement suggestion.</p>	
	<p>Issue identified: Although discussions with the team confirmed that exception reporting did take place, a lack of detailed procedure notes on this process was noted.</p> <p>Root cause: Documentation of existing controls overlooked.</p> <p>Risk: Failure to document procedures or factor results in to planning may lead to potential failure to identify risk areas or, in the event of staff absence, a lack of ability to perform required procedures.</p> <p>Recommendations: The Council should update its policies and procedure notes to include more detailed information on processes performed to ensure that all respondents are entitled to register to vote.</p> <p>Overall conclusion:</p> <p>Inclusion of such procedures in planning and risk assessment documents is an element of compliance with Electoral Commission guidance, therefore we consider this to be a low risk recommendation.</p>	

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
Canvassing is not carried out in a manner compliant with relevant legislation and does not ensure highest possible completeness of data set.	<p>Recommendations (continued);</p> <p>Issue identified: The Council does not include detailed information on elector feedback and related actions in its planning notes and does not include a link or email address to provide feedback in its HEF covering letter. Review and collation of elector feedback is suggested as good practice by the Electoral Commission.</p> <p>Root cause: The team's view is that this is covered by the overall corporate complaints procedure; overall level of elector feedback in relation to the canvass and general electoral register process is low.</p> <p>Risk: Possibility that elector feedback is overlooked during the planning process.</p> <p>Recommendations: In order to better demonstrate compliance with Electoral Commission guidance and create a wider forum for feedback beyond complaints, the Council should consider including a section on elector feedback and planned responses in its annual planning process and include a link or email address for electors to provide feedback in its annual HEF covering letter.</p> <p>Overall conclusion;</p> <p>From discussions with staff, overall level of elector feedback is low and the existing corporate complaints procedure ensures feedback around the canvass process is passed on to staff. Therefore, we consider this to be an improvement suggestion.</p>	<p>Actions:</p> <p>Talk to our web team to set up a feedback page on the website regarding the canvass and put a link on the forms for next years canvass.</p> <p>Responsible Officer: Mark West</p> <p>Executive Lead: Julie Kenny</p> <p>Due date: 1/6/2019</p>

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>Project management arrangements are not sufficient to ensure timely and accurate registration of electors.</p>	<p>Key findings</p> <p>We obtained the Council's full list of internal policies and procedure notes, held discussions with team members and reviewed processes and performed sample testing on 25 individual HEFs and 10 batches of forms.</p> <p>Our findings were that the Council's team has in place an extensive project plan, including detailed procedure notes, risk register and planning documentation including geographical analysis by ward area which is more than adequate to ensure that required deadlines are met. The team also produces a project timetable and regularly reports against project milestones as well as overall response rates to monitor progress.</p> <p>Per the previous slides, a small number of recommendations were noted as a result of our review of the Council's procedures against regulatory guidance. Outside of these existing recommendations and from the perspective of the Council's internal project management arrangements we have no further recommendations to make in this area.</p> <p>Recommendations: N/A - We have noted no issues with the entity's overall project management plan</p>	<p>N/A</p>

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>Information is not sufficiently secure and held in accordance with relevant data protection legislation;</p>	<p>Key Findings:</p> <p>We carried out a review of the Council's procedures to ensure security of data held for the purposes of production and maintenance of the Electoral Register against Electoral Commission guidance in this area, with a particular focus on changes in this area in response to the introduction of GDPR.</p> <p>Our review found that the Council's procedures were in line with Electoral Commission guidance. Our own review suggests that policies on retention of data for Electoral Register purposes and data security are sufficiently robust and in line with reasonable expectations.</p> <p>We noted one improvement level recommendation based on our review of the Council's policy on provision of tablet devices to canvassers.</p> <p>Recommendations:</p> <p>Issue identified: Procedure notes provided to canvassers contain a standard password for access to tablets and the Express App which is common to all units.</p> <p>Root cause risk: Functionality to allow users to set unique passwords for tablet and App access has not been enabled.</p> <p>Recommendations: The Council should consider updating guidance to canvassers to include information on how to set up individualised accounts and passwords for tablets and the Express App.</p> <p>Overall conclusion: The overall level of risk attached to this information is low given that information provided is part of the public register and users would require knowledge of the Express App in order to make unauthorised changes, although there is still a risk of that occurring. Therefore, we deem this to be an improvement recommendation.</p>	<p>Management Response:</p> <p>Following this issue being highlighted, we have added into the training a section on changing passwords, so that canvassers have their own password rather than a standard one set for all users.</p> <p>Responsible Officer: Mark West</p> <p>Executive Lead: Julie Kenny</p> <p>Due date: 1/6/19</p>

Appendices

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Appendix 1 – Staff involved and documents reviewed

Staff involved

- Julie Kenny – Director (Corporate Services)
- Mark West – Electoral Services Officer

Documents reviewed

- Annual Canvass Handbook
- Annual Canvass Procedure Notes
- Annual Canvass Timetable
- Canvasser Training; Tablet procedure notes
- Daily Processing Procedures
- General Overview of Maintaining the Electoral Register
- Public Engagement Mailing List
- Risk Register
- Electoral Commission; Performance Standards for Electoral Registration Officers
- Electoral Commission; Guidance for Electoral Registration Officers; Part 3 – Annual Canvass;

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
Significant assurance	<p>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.</p> <p>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.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
Significant assurance with some improvement required	<p>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.</p> <p>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.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
Partial assurance with improvement required	<p>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.</p> <p>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.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
No assurance	<p>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.</p> <p>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</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
High	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 style="list-style-type: none"> ▪ Key activity or control not designed or operating effectively ▪ Potential for fraud identified ▪ Non-compliance with key procedures / standards ▪ Non-compliance with regulation
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 style="list-style-type: none"> ▪ Important activity or control not designed or operating effectively ▪ Impact is contained within the department and compensating controls would detect errors ▪ Possibility for fraud exists ▪ Control failures identified but not in key controls ▪ Non-compliance with procedures / standards (but not resulting in key control failure)
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 style="list-style-type: none"> ▪ Minor control design or operational weakness ▪ Minor non-compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> ▪ Information for management ▪ Control operating but not necessarily in accordance with best practice

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Hinckley and Bosworth Borough Council

General Data Protection Regulation (GDPR) Review as at Quarter 2

23 November 2018

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FINAL

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Agenda Item 7

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Report distribution:

For action:

- Information Governance (IG) Officer

Responsible Executives:

- Director (Corporate Services)

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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.

Executive Summary

Background

A review of the adequacy of the Council's General Data Protection Regulation (GDPR) arrangements has been undertaken as part of the approved internal audit plan for 2018/19 and this report sets out our findings.

The GDPR came into force across the European Union on 25 May 2018. It replaces EU Data Protection Directive 95/46/EC and supersedes national laws such as the UK Data Protection Act 1998. The GDPR provides for tougher penalties for breaches of the legislation. For the most serious violations, data protection regulators will be able to impose penalties of up to €20m (approximately £17m) or 4% of global turnover, whichever is higher.

Owing to this legislation's complexity, our review did not cover all GDPR related activities that the Council is engaged in and consequently we cannot provide assurance (and hence an opinion) on whether the Council is GDPR compliant. As recent legislation, the Council (like all organisations) is still embedding good practice to demonstrate on-going compliance. Consequently, owing to the timing of this review and our restricted scope, we cannot provide the Council with ISAE 3000 assurance on this matter (i.e. that which is applied for audits of internal control and compliance with laws and regulations such as the GDPR).

We have therefore designed and implemented a program of work designed to examine the Council's GDPR compliance against the key risks identified and outlined within this report as follows.

Objectives

This review assesses Hinckley and Bosworth Borough Council's implementation of its GDPR plans. We have undertaken a high-level review of the Council's GDPR activities and controls with regards to the following **risk** areas:

- 1) **Processing of personal data is not appropriately governed** – *this includes checking that your organisation has appropriately designated roles and responsibilities;*
- 2) **Collection of personal data is not conducted properly** – *this includes checking that privacy policies are in place and assessing whether your organisation needs consent to collect personal information;*
- 3) **Processing of personal data is not conducted responsibly** – *this includes making sure relevant members of staff have been trained to understand what they can and cannot do with personal information;*
- 4) **Processing of personal data is not safe** – *this includes establishing the technical and organisational measures in place;*
- 5) **Quality of personal data is not maintained, is not up to date and relevant** – *ascertaining how well your organisation effectively manages its information assets*
- 6) **People are not given their information rights** – *checking what procedures in place to handle information rights requests properly; and*
- 7) **Personal data is not shared, disclosed, or transferred securely** – *establishing what arrangements there are to ensure the personal information your organisation is responsible for remains adequately protected, wherever it is located.*

Further details on responsibilities, approach and scope are included the Audit Planning Brief issued to the Council in September 2018.

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.

Executive Summary

Conclusion

Significant assurance with some improvement required

We have reviewed the Council's GDPR arrangements and 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.

Good practice

- Effective oversight of GDPR is provided by skilled, knowledgeable staff including the IG Officer; the Head of ICT; the Human Resources and Transformation Manager; the Consultation and Improvement Officer; and, the Director (Corporate Services).
2. The majority of all expected policies and procedures are in place to support the Council's compliance with GDPR.
 3. The Council has an effective information security framework in place that safeguards its systems and data against cyber threats.
 4. Staff training is practically complete and GDPR awareness amongst staff is good.
 5. Individuals are informed of their GDPR rights when contacting the Council and comprehensive Policy Notices are in place that advise the individual accordingly. These are clear and well written.
 6. The Subject Access Request (SAR) process meets GDPR requirements and is in place.
 7. The Data Security Breach Reporting process meets GDPR requirements and is in place.
 8. The Director (Corporate Services) provides independent review of GDPR arrangements including data security breach reporting and, as a member of the Senior Leadership Team (SLT), provides strategic oversight.

Areas for development

1. Complete data mapping exercise to help develop an Information Asset Register (IAR) to identify and locate personal data. An IAR will also assist with the identification of those contracts that should be updated to reference GDPR requirements (**Medium recommendation**). *The Council are already taking steps to assess software tools to assist with this task.*
2. Update employee job descriptions to properly reflect their GDPR Roles and Responsibilities (**low recommendation**).
3. Complete the following documentation: Data Classification Policy and Data Protection Impact Assessments (DPIA) Procedure (**low recommendation**).
4. **Four minor improvement notes** were raised to tighten ongoing GDPR compliance arrangements further.

Recommendations

As we have concluded that the processes provide significant assurance with some improvement required, we have raised only one medium level and two low level recommendations and a further four improvement points to address the weaknesses identified.

	High	Med	Low	Imp
Detailed findings	0	1	2	4

Acknowledgement

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

Key Findings & Recommendations

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

Risk Area	Findings and Recommendation	Action Plan
Processing of personal data is not appropriately governed – <i>this includes checking that your organisation has appropriately designated roles and responsibilities.</i>	Key findings <ul style="list-style-type: none"> GDPR initiatives are led by the Information Governance (IG) Officer who is supported by an IG Assistant and the Freedom of Information (FOI) Officer, both of whom have other non-GDPR duties. The IG Officer reports progress to the Director (Corporate Services) who as the Council's Monitoring Officer is also its Data Protection Officer, and hence the executive lead for GDPR. The Director, as a member of the Senior Leadership Team (SLT), will raise GDPR issues to the SLT as necessary. Currently, there is no standing item on the SLT's Agenda for GDPR issues that could be used to demonstrate continual oversight of GDPR compliance by all strategic officers. Job descriptions of key staff members responsible for GDPR arrangements have not been updated to include these additional GDPR responsibilities. Recommendations:	Actions: We will add a standard agenda item onto the SLT agenda on a quarterly basis which will show key issues / statistics on GDPR related matters. Responsible Officer: Julie Kenny
	Issue identified: The SLT do not receive a formal update of the Council's GDPR compliance position. Root cause: GDPR has only recently come into effect and the Council is in the process of setting up ongoing compliance good practice. Risk: GDPR compliance may not be subject to regular on-going monitoring by the SLT who may only be notified when problems arise. Recommendation: The SLT Meeting Agenda should be updated to include a standing item on GDPR compliance. Statistics could be prepared by the IG Officer on behalf of the Director (Corporate Services) to present to the SLT. Such statistics could reference for example: the number of GDPR complaints received and dealt with; Subject Access Request (SAR) received & dealt with; Data Security Breach occurrence and actions taken; Staff GDPR training position, etc. Overall conclusion: SLT are aware of the GDPR position since the legislation is quite recent. Therefore we consider this to be an improvement point only (number 1) .	Executive Lead: Due date: December 2018

Key Findings & Recommendations

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

Risk Area	Findings and Recommendation	Action Plan
Processing of personal data is not appropriately governed – <i>this includes checking that your organisation has appropriately designated roles and responsibilities.</i>	Recommendations Continued:	
	<p>Issue identified: Job descriptions of staff responsible for GDPR compliance have not been updated to properly reflect all their GDPR roles and responsibilities.</p> <p>Root cause: GDPR has only recently come into effect and the Council is in the process of completing all tasks to ensure ongoing compliance.</p> <p>Risk: Staff performance may not be effectively measured for a critical part of their job role and responsibility. This could mean that training needs are not identified.</p> <p>Recommendation 1: The job descriptions of all staff should be updated to properly reflect all their GDPR roles and responsibilities.</p> <p>Overall conclusion: Staff are aware of their job role and responsibilities since the legislation is recent as are the activities they undertook to ensure the Council complied with this legislation in time. Therefore we consider this to be a low risk recommendation.</p>	<p>Management Response: Accepted. Job Descriptions of relevant staff will be updated.</p> <p>Recommendation 1:</p> <p>Responsible Officer: Julie Kenny</p> <p>Executive Lead:</p> <p>Due date: December 2018.</p>

Key Findings & Recommendations

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

Risk Area	Findings and Recommendation	Action Plan
Collection of personal data is not conducted properly – <i>this includes checking that privacy policies are in place and assessing whether your organisation needs consent to collect personal information.</i>	Key findings <ul style="list-style-type: none"> There is a Data Protection (DP) Policy and at the time of our review it had been updated to reflect GDPR legislation. It will be authorized for distribution in January 2019 in accordance with the next policy review cycle. Data Privacy Notices have been incorporated into the forms used by each council service. Full Privacy Policies for each service are currently being uploaded onto the Council Web pages. We are satisfied that the Data Protection Policy is in line with expectations and best practice, and we have no significant findings to note other than to support the Council's endeavours to distribute it. Code of Conduct states in Section 31 and 31.1 Data Protection, that all staff must adhere to the Data Protection policy. Non adherence could lead to disciplinary action being taken which could result in staff dismissal. Recommendation	Actions: We do have an adopted DP policy already in place. https://www.hinckley-bosworth.gov.uk/downloads/file/855/hbbc_data_protection_policy The revision to incorporate GDPR is scheduled for the next reporting cycle which will be complete at Executive in February 2019.
	Issue identified: GDPR implications for Data Protection working practices and procedures have not been formally incorporated into the Council's Data Protection Policy and distributed. Root cause: GDPR has only recently come into effect and the latest version of the Data Protection Policy has not been formalised because of the need to be in time with the next policy review cycle. Risk: GDPR high profile may be harder to maintain if the Council relies upon GDPR training alone and the message of compliance could therefore lose some visibility. Recommendation: The Data Protection Policy is formalised and approved by strategic officers and Members in accordance with the next review cycle. Overall conclusion: Overall the GDPR message remains visible with recent staff training and public awareness promoted by the Government. We therefore we deem this to be an improvement point only (number 2) .	Responsible Officer: Julie Kenny Executive Lead: Due date: February 2019

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
Processing of personal data is not conducted responsibly – <i>this includes making sure relevant members of staff have been trained to understand what they can and cannot do with personal information.</i>	Key findings <ul style="list-style-type: none"> GDPR training has been provided by a third party provider CYLIX to 77 out of 80 managers. Non-management staff GDPR training has been provided via the E-learning portal. Refresher training is due to be scheduled to ensure that staff remain vigilant. The possibility of using IT security reminders as a means to ensure that GDPR retains a high profile at the Council had not been considered. Council Members have received GDPR training and further training will be provided following the Councillor elections in 2019. Recommendation	Actions: Accepted. The possibility of such messages will be explored with the Head of ICT. Responsible Officer: Julie Kenny
	Issue identified: GDPR reminders to staff are reliant upon training only. Root cause: GDPR has only recently come into effect and the Council is in the process of setting up ongoing compliance good practice. Risk: GDPR high profile may be harder to maintain if relying upon training alone and the message of compliance could lose visibility over time. Recommendation: The IG Officer should liaise with the Head of ICT to explore the use the periodic security messages that are currently issued to all staff to also highlight GDPR issues and reminders. Overall conclusion: Since the legislation is recent, we found that the GDPR message was still clearly understood by staff at the time of this review. Therefore we deem this to be an improvement point only (number 3) to re-inforce the GDPR message going forward.	Executive Lead: Due date: February 2019

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>Processing of personal data is not safe – this includes establishing the appropriate technical and organisational measures in place.</p>	<p>Key findings</p> <ul style="list-style-type: none"> ▪ The Council has adequate facilities in place to enable staff to securely transmit personal data. ▪ The Council has established adequate IT Security related policies and procedures that cover all IT activity supporting GDPR compliance (please see Appendix A for complete list). ▪ The Council takes the relevant steps to safeguard it's network, infrastructure and systems. Independent assurance of this is provided by its Public Sector Network (PSN) Code of Compliance Certificate that enables it to connect to the Government's network. In support of this, the Council must provide details of an annual independent network penetration test that is then subject to review by the Government's own security expert inspectors. ▪ The Council does not have an Information Classification Policy that would assist staff in the proper handling of such data and hence ensure that the arrangements to capture, store and maintain the data is sufficient in accordance with its classification. ▪ GDPR requires that information classified as 'Personal' should be subject to Data Protection Impact Assessments (DPIA) to ensure that it is properly managed by the organisation holding such data. However, only one DPIA has taken place (for the Waste Management IT System). The DPIA Policy is in draft but once formalised, it will provide a framework where new processes are assessed to ensure they meet privacy, confidentiality and Data Protection requirements. <p>Recommendation</p> <p>Issue identified: There is no Data Classification Policy and the DPIA Policy is in draft.</p> <p>Cause: The Council has not defined a Data Classification Policy nor informed staff of how these classifications would impact the management of its data.</p> <p>Risks: Staff may not handle data appropriately which could give rise to, for example, inadequate security measures being deployed when transmitting data. It could also mean that the risks associated with handling personal data are not assessed</p> <p>Recommendation 2: A Data Classification Policy should be written to comply with the Government's own recommended data classifications. This Policy should also reference the need to undertake DPIA for personal data and cross reference to the DPIA Policy, which should also be formalised. Once both policies have been ratified, training should be provided to all impacted staff.</p> <p>Overall conclusion: Staff awareness of the need to properly handle Personal data is currently high since this legislation is recent. In addition, staff have also received sufficient Information Security training and guidance on the treatment of such data. We therefore consider this to be a low risk recommendation.</p>	<p>Management Response:</p> <p>Recommendation 2:</p> <p>Accepted. We will ensure a Data Classification Policy is adopted. Ideally this will be part of the main Data Protection Policy, rather than a separate document.</p> <p>Responsible Officer: Julie Kenny</p> <p>Executive Lead:</p> <p>Due date: March 2019.</p> <p>Due date:</p>

Key Findings & Recommendations

Issue	Findings and Recommendation	Action Plan
<p>Quality of personal data is not maintained, is not up to date and relevant – <i>ascertaining how well your organisation effectively manages its information assets.</i></p>	<p>Key findings</p> <ul style="list-style-type: none"> ▪ No data mapping exercise has been completed to identify what personal data is held or where it is located.. This exercise would help complete the Information Asset Register (IAR). ▪ An IAR can be used to identify those organisations with whom personal data is shared which allows for the timely review and update (as necessary) of contracts supporting such activity. The Council is currently reviewing contracts as they come up for renewal. ▪ The ICT function is outsourced to Sopria Steria under a managed service. The Head of ICT is responsible for the four local authorities under a Leicestershire Partnership arrangement which includes Hinckley & Bosworth Borough Council. A contract variation has been signed with Sopria Steria with regards to meeting the Council's GDPR requirements. ▪ The Head of ICT confirmed that software (Veronis) is being trialled to assess how effectively it can assist the Council in the identification and location of personal information. This software can provide each System Owner with details of what personal data is held on their systems which can then be used to verify whether they are GDPR compliant (with respect to the collection, rectification, storage, retention and disposal of such data). ▪ The Retention Schedule is being developed and is to be aligned with the Local Government Association (LGA) guidelines. The Schedule is based upon Kent County Council's retention schedule and is contained within the LGA Inform Plus System used by Hinckley & Bosworth Borough Council. Consequently, there is no overall Retention Policy in place. The IG Officer confirmed that both the Retention Schedule and Policy will be developed by September 2019. <p>Recommendation</p> <p>Issue identified: The Retention Schedule and overarching Retention Policy have not been completed.</p> <p>Root cause: GDPR has only recently come into effect and the Council is in the process of setting up ongoing compliance good policies and procedures including those that relate to the retention of personal data.</p> <p>Risk: Staff may fail to properly retain personal data in accordance with the GDPR and/or fail to act consistently.</p> <p>Recommendation: The IG Officer should complete this documentation and arrange for its approval and distribution. Staff should be trained accordingly.</p> <p>Overall conclusion: Activity is already underway to deliver this documentation. Therefore we deem this to be an improvement point only (number 4).</p>	<p>Actions:</p> <p>We will give consideration to such software. The retention schedule will be complete by September 2019.</p> <p>Responsible Officer:</p> <p>Cal Bellavia</p> <p>Executive Lead: Julie Kenny</p> <p>Due date: September 2019</p>

Key Findings & Recommendations

Issue	Findings and Recommendation	Action Plan
<p>Quality of personal data is not maintained, is not up to date and relevant – <i>ascertaining how well your organisation effectively manages its information assets.</i></p>	<p>Recommendations (Cont.)</p> <p>Issue identified: The Council has not completed the exercise to document an IAR. An IAR is used to identify what personal data an organisation has and officers are currently reviewing contracts as they come up for renewal rather than focussing initially upon those that involve personal data. The need to complete an IAR has been described as a mitigating factor to address Risk S50 (GDPR compliance) on the Council's Risk Register.</p> <p>Cause: Data mapping exercise has not been completed to identify and locate personal data that would be recorded in an IAR.</p> <p>Risks: The Council may not easily determine whether personal data is being managed in accordance with the GDPR. It may also mean that the Council does not respond promptly to a Subject Access Request (SAR) or in the event of a data security breach, quickly identify what personal data has been affected. It may therefore fail to meet its statutory obligations.</p> <p>Recommendation 3: The Council should complete the exercise to identify and locate all personal data and record this in an IAR. This exercise can be supported by the use of software tools such as Varonis to construct/inform an IAR. This can then be used to identify and review those contracts that involve personal data.</p> <p>Overall conclusion: The failure to comply with the GDPR could give rise to a fine being imposed by the Regulator leading to financial loss and reputational harm. Therefore, we deem this to be a medium recommendation.</p>	<p>Management Response:</p> <p>Recommendation 3:</p> <p>We will give consideration to such software.</p> <p>Responsible Officer: Cal Bellavia</p> <p>Executive Lead: Julie Kenny</p> <p>Due date: September 2019.</p>

Key Findings & Recommendations

Issue	Findings and Recommendation	Action Plan
<p>People are not given their information rights – <i>checking what procedures in place to handle information rights requests properly.</i></p>	<p>Key findings</p> <ul style="list-style-type: none"> ▪ The Council has developed Privacy Notices that cover all potential activities where an individual may contact the Council for advice, guidance etc., please see Appendix A for the complete list. ▪ Individuals are informed of all their GDPR rights. These include: <ul style="list-style-type: none"> – the right to see their data (they are informed that this is called a Subject Access Request (SAR)); – the right to correct that data (rectification), erase it, restrict it, object to its use as well as their data portability rights etc. ▪ The Council has developed a comprehensive SAR Process that is supported by working practices and procedures and all relevant documentation. ▪ All SAR's are received by the IG Officer who raises these with the relevant Business Owner who, in turn, has access to a system administrator (SA) for each of their applications. The SA will interrogate the system and provide the required details to the Business Owner and IG Officer. <p>Recommendations:</p> <p>None to date.</p>	<p>Not applicable</p>

Key Findings & Recommendations

Issue	Findings and Recommendation	Action Plan
<p>Personal data is not shared, disclosed, or transferred securely – <i>establishing what arrangements there are to ensure the personal information your organisation is responsible for remains adequately protected, wherever it is located.</i></p>	<p>Key findings</p> <ul style="list-style-type: none"> ▪ ICT maintain information security policies and measures to ensure ongoing compliance with GDPR and good security practice. These include the following IT solutions: anti-virus protection; web use monitoring; internet monitoring; Active Directory audit monitoring tool; security tools to assess the network; robust firewall for the network's perimeter; patch management processes to maintain defences; annual penetration testing with the last test undertaken in 2017 and the next scheduled for November 2018. ▪ The Council has established adequate IT Security related policies and procedures that cover all IT activity supporting GDPR compliance (please see Appendix A for complete list). The overarching Information Security Policy has been approved and published in April 2018. ▪ Adequate Data Security Breach Policy and Procedures are in place, including a Data Security Breach Log used to identify any instances where data may not have been transferred securely. Currently, a Data Security Breach Form is completed by the IG Officer following an investigation which is independently reviewed by the Director (Corporate Services). The Director as the Council's Monitoring Officer, Data Protection Officer and GDPR Lead, will then decide on the appropriate notification (for example to individuals and the Regulator). ▪ All staff have received training in the application of the Council's information security policies and procedures as well as any supporting tools to facilitate the proper safeguarding of personal data. <p>Recommendation</p> <p>None to date.</p>	<p>Not applicable</p>

Appendices

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Appendix 1: Staff Involved & Documents Reviewed

Staff Involved

- Julie Kenny – Director (Corporate Services)
- Faye Biddles – Information Governance (IG) Officer
- Julie Stay – Human Resources and Transformation Manager
- Mike Dungey – Head of ICT
- Cal Bellavia – Consultation and Improvement Officer

Documents Reviewed

- Business Continuity (BC) & Disaster Recovery (DR) Plan
- Contract sample (Gatherwell)
- Cloud Storage Policy
- Code of Conduct
- Contractor Compliance Form & Letter
- Corporate Mobile Device Policy
- Data Breach Procedure & reporting documentation
- Data Protection Policy
- Disciplinary & Grievance Policy
- Disposal Policy
- GDPR Working Group documentation
- Information Governance Framework
- Isolation LAN Policy
- IT Acceptable Use Policy
- IT Asset Management & Procurement Policy
- IT Change Management Policy
- IT Disaster Recovery Plan
- IT Security Policy
- IT Starters & Leavers Procedure
- Job Application Guidance
- Job Descriptions of key staff: Director (Corporate Services), Head of ICT, IG Officer, Consultation & Improvement Officer
- Laptop & Mobile Device Policies

Appendix 1: Staff Involved & Documents Reviewed

Documents Reviewed (Cont.)

- Privacy Notices: Business Rates, Council Tax, Customer Services, Environmental Services, Finance, Housing, HR, Legal, Neighbourhoods, Planning, Waste Management
- Privileged Users Policy
- PSN Code of Compliance Certificate
- Records Retention Schedule
- Recruitment & Selection Policy
- Replacement Policy
- Risk Register
- Security Incident Policy
- Security Monitoring Report (August Working Group documentation)
- Social Media Policy and Guidelines
- Subject Access Request (SAR) Policy
- SAR documentation (SAR Form, acknowledgement & exemption letter)
- Technical Evaluation Questionnaire
- Your Rights (Web)

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
Significant assurance	<p>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.</p> <p>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.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
Significant assurance with some improvement required	<p>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.</p> <p>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.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
Partial assurance with improvement required	<p>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.</p> <p>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.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
No assurance	<p>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.</p> <p>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</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
High	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 style="list-style-type: none"> ▪ Key activity or control not designed or operating effectively ▪ Potential for fraud identified ▪ Non-compliance with key procedures / standards ▪ Non-compliance with regulation
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 style="list-style-type: none"> ▪ Important activity or control not designed or operating effectively ▪ Impact is contained within the department and compensating controls would detect errors ▪ Possibility for fraud exists ▪ Control failures identified but not in key controls ▪ Non-compliance with procedures / standards (but not resulting in key control failure)
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 style="list-style-type: none"> ▪ Minor control design or operational weakness ▪ Minor non-compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> ▪ Information for management ▪ Control operating but not necessarily in accordance with best practice



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Hinckley and Bosworth Borough Council

Sundry Debt Recovery Internal Audit report

24 December 2018

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Agenda Item 8

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Report distribution:

For action:

- Section 151 Officer
- Finance Staff

Responsible Executives:

- Director (Corporate Services)

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Executive Summary

Background

The Council's approach to debt recovery is a crucial element of its overall financial managements arrangements and strategy. It is vital that management have a clear oversight of the debt position to enable appropriate and timely decision making. Failure to effectively recover debt or identify balances for write off can impact on budget setting and available reserves. If arrears are not managed effectively using timely, accurate information, it can lead to unforeseen impacts on the Council's overall financial position.

Furthermore, the Council's approach to rent recovery is a key element of its 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.

Therefore, it is crucial that the Council ensures that there is adequate policies and procedures in place in respect of the recovery of debts, that there are effective debt recovery actions carried out which are in accordance with Council policies and procedures and that there is accurate and effective communication between stakeholders regarding debt recovery activity, information on outstanding debts and upcoming planned activity to recover them.

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 debt management arrangements.

Our review focused on the potential risks:

- 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;
- Policies and procedures are not clear, are not understood, are not being appropriately or consistently applied;
- There is inadequate differentiation between debts so that the most appropriate debt recovery strategy is not being applied, or debts are inappropriately prioritised.
- There is inadequate management of disputes.

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 focusses on sundry debtors. Issues around debt recovery in other areas of the Council's operations (such as revenues and benefits) will be considered in separate 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

Significant assurance with some improvement required

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.

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

Good practice

1. The Council's debt recovery policy is clear, concise and makes provision for proportionality, allowing the Council to differentiate between vulnerable or financially struggling individuals and other debtors.
2. The Council was consistent in its application of incremental reminders and legal notices.
3. The Council provides regular reports to members and is performing in line with its stated performance indicator.

Areas for development

1. The Council should reconsider whether its bad debt provision is in line with the stated policy.
2. The Council should enhance narrative and time limited element of its reporting budget holders on above 90 day debt.
3. The Council should increase regularity and level of write offs.
4. The Council should increase legal and finance team input to write off or similar recovery activity decisions.
5. The Council should be proactive in seeking alternative solutions in cases where cessation of services to non-paying customers is not deemed desirable.
6. The Council should provide a further analysis between disputed and non-disputed balances in order to add additional context to its reports to members.

Recommendations

As we have concluded that the processes provide significant assurance with some improvement required, we have raised only low level recommendations and improvement points with one medium level recommendation to address the weaknesses identified.

	High	Med	Low	Imp
Detailed findings	-	1	4	1

Acknowledgement

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

Key Findings & Recommendations

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

Risk Area	Findings and Recommendation	Action Plan
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.	<p>Key findings</p> <ol style="list-style-type: none"> 1. The Council provides quarterly reports to the Finance and Performance Scrutiny Committee, supported by monthly reports to budget holders containing all debts above 90 days with a brief narrative. We noted that these underlying reports did not provide a high level of narrative to budget holders and did not include deadlines for action to be taken. 2. The Council further uses these quarterly reports to report on its Key Performance indicator for sundry debts; that they should make up no more than 25% of the overall population of sundry debtors (when adjusted for homeless bonds and instalment plans). The KPI and related adjustments are adequately explained in the reports to members. 3. The reports also provide information on the level of the Council's provision for bad debts. As at the 30th September 2018 this stood at £59k against total bad debts of £1839k. Our analysis of the population of sundry debtors showed a total balance of £359k older than 1 year and £144k relating to homeless bonds greater than 90 days. The Council's debt recovery policy states that the provision is calculated in line with "factors known by budget holders affecting its recoverability". Taking the £144k above 90 day homelessness bonds as an example, collection rates are known to be very low on this type of debt and therefore a higher provision may be more appropriate. <p>Recommendations</p> <p>Issue identified: The Council does not take regular write offs to committee.</p> <p>Root cause: As detailed above, budget holder review process does not require a deadline to be set for debt recovery activity to be progressed. Budget holders are reluctant to agree write offs.</p> <p>Risk: In conjunction with a low provision, balances which are neither collectible nor provided for contribute to an overall overstatement of current assets and understatement of bad debt costs.</p> <p>Recommendations: The Council should perform more regular write offs of debtor balances. Finance staff should have more input into the process with the implementation of activity deadlines being used to hold budget holders to account on older balances.</p> <p>Overall conclusion: The combination of lower provision and lack of write offs can lead to an overstatement of current assets. However, this is not highly material to the user's understanding of the accounts.</p> <p>Therefore we consider this to be a low risk recommendation.</p>	<p>Actions:</p> <p>The Accountancy Manager will ensure the old debt are reviewed formally on a monthly basis.</p> <p>Any potential write offs will be discussed with the Head of Finance.</p> <p>Responsible Officer:</p> <p>Ilyas Bham</p> <p>Executive Lead: Cllr C Ladkin</p> <p>Due date: Mar 2019</p>

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>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.</p>	<p>Recommendations (continued)</p> <p>Issue identified: We noted approximately £359k of balances which were older than 1 year. 6 of 25 sundry debt accounts tested by the audit team were older than 5 years in age and in all these cases there were longstanding disputes.</p> <p>Root cause: 90 day debt reports to budget holders contain a low level of narrative on debtor balances and do not require budget holders to specify a deadline by which issues will be resolved or recovery activity will be progressed.</p> <p>Risk: Action on longstanding debtor balances with complex disputes involved could continue to be postponed as opposed to achieving a resolution (and collecting monies owed to the Council) or writing off the balance (resulting in a clearer picture of the Council's debt position). There is also a risk that individuals or companies may use protracted disputes to delay collection activity.</p> <p>Recommendations: The Council should enhance its reporting to budget holders on debt recovery to include more detailed narrative as well as setting deadlines for further recovery activity in order to encourage budget holders to be more proactive in seeking resolution to debt issues.</p> <p>Overall conclusion: Very old levels of debt are an issue from the perspective of equality within the Council's debt recovery policy (whereby individuals less willing to enter into lengthy disputes may be subject to more robust collection activity), recovery of funds which can be used for delivery of Council services and with regard to presenting a clear picture of current levels of debt</p> <p>Therefore, we consider this to be a medium risk recommendation.</p>	<p>Actions:</p> <p>Agreed. Appropriate action will be included in the monthly reports and deadlines will be set for a more proactive approach</p> <p>Responsible Officer: Ilyas Bham</p> <p>Executive Lead: Cllr K Ladkin</p> <p>Due date: March 2019</p>

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
Policies and procedures are not clear, are not understood, are not being appropriately or consistently applied.	<p>Key findings</p> <ol style="list-style-type: none"> 1. The Council's policy is clear and concise. It also includes considerations around proportionality of response in dealing with vulnerable or otherwise in financial difficulty individuals. 2. The Council's finance function clearly follows the incremental process of reminders and legal notices. In sample testing, we noted only 1 case out of 25 tested where the standard process did not appear to have been adhered to (this was in relation to a balance with another Local Authority). 3. However, the final stage of collection process, once balances are passed to legal services colleagues and budget holders for review, appeared less clear. During sample testing, we tested 10 cases which were older than 1 year and, of these 10, 9 were either disputed or otherwise had recovery held whilst budget holders, legal or senior Council staff entered into negotiations with debtors or reviewed cases. <p>Recommendations:</p> <p>Issue identified: In cases of very old debt, we found that very often these accounts were subject to lengthy disputes.</p> <p>Root cause: Current debt recovery process does not hold budget holders to account in cases of longstanding balances.</p> <p>Risk: Individuals or companies can use disputes to postpone recovery activity for long periods of time.</p> <p>Recommendations: The Council should look to increase legal and finance team input to the monthly monitoring of debtor balances with a view to developing a more proactive and objective response to writing off aged balances or resolving long running disputes and ensuring that all collection activity is consistent with the Council's policy aim of achieving a commercially aware yet consistent and fair approach to debt recovery.</p> <p>Overall conclusion: This is a complimentary recommendation to the enhancement of narrative reporting and introduction of time limits on budget holder level recovery activity.</p> <p>Therefore we consider this to be a low risk recommendation.</p>	<p>Actions:</p> <p>Agreed. Appropriate action will be included in the monthly reports and deadlines will be set for a more proactive approach</p> <p>Responsible Officer: Ilyas Bham</p> <p>Executive Lead: Cllr K Ladkin</p> <p>Due date: March 2019</p>

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>Policies and procedures are not clear, are not understood, are not being appropriately or consistently applied.</p>	<p>Recommendations:</p> <p>Issue identified: In one of 25 cases sampled, the standard incremental recovery activity procedure did not appear to have been adhered to.</p> <p>Root cause: The debtor was another local authority and therefore considered a low risk of non payment.</p> <p>Risk: The application of alternative recovery procedures to local authorities may suggest that the Council provides preferential treatment to other local authorities.</p> <p>Recommendations: The Council should ensure that its incremental debt recovery strategy is followed on all accounts regardless of the nature of the debtor.</p> <p>Overall conclusion: Given the nature of the account and the balance it is understandable that the Council opted to enter into dialogue with the local authority as opposed to continuing to issue reminder notices. However, application of alternative procedures may suggest a lack of equality of treatment to other observers. .</p> <p>Therefore we consider this to be an improvement point.</p>	<p>Actions:</p> <p>For debts that are more than 3 months old, Deputy Section s151 officers for the relevant Council are being contacted requesting payments.</p> <p>Responsible Officer:</p> <p>Ilyas Bham</p> <p>Executive Lead:</p> <p>Due date: Actioned Oct 2018</p>

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>There is inadequate differentiation between debts so that the most appropriate debt recovery strategy is not being applied, or debts are not appropriately prioritised.</p>	<p>Key Findings:</p> <ol style="list-style-type: none"> 1. Generally, the Council was effective in differentiating between statutory and discretionary services, and identifying cases where service provision could be ceased or temporarily postponed in response to non payment of debt. 2. However we did note some instances, for example in the case of provision of trade waste services to a Council owned commercial area, where cessation of services was deemed an unsuitable response (in the instance noted, in order to preserve the overall aspect and therefore commerciality of the area). <p>Issue identified: In a small number of sample cases, we found instances where the Council continued to provide services to customers despite non payment of debts.</p> <p>Root cause: The Council took these decisions in order not to damage the overall aspect and commerciality of Council or other locally significant retail and commercial areas.</p> <p>Risk: Individuals or companies can use disputes to postpone recovery activity for long periods of time.</p> <p>Recommendations: In cases where the Council determine the cessation of service provision is not desirable, they should look to proactively implement alternative legal or similar recovery procedures in order to recoup problem debt balances.</p> <p>Overall conclusion: We consider that this recommendation should be implemented in conjunction with other recommendations on management of disputes and budget holder reviews. Therefore we consider this point individually to be a low risk recommendation.</p>	<p>Management Response</p> <p>This will be reviewed. Where this is happening, the query will be escalated to the relevant Director and a plan agreed with the Head of Finance.</p> <p>Responsible Officer: Ashley Wilson</p> <p>Executive Lead: Cllr K Ladkin</p> <p>Due date: April 2019</p>

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>There is inadequate management of disputes.</p>	<p>Key Findings:</p> <ol style="list-style-type: none"> 1. Our sample testing noted that 11 of 25 debtor balances reviewed were in dispute or other form of negotiation and of those 11, 9 were older than 1 year. 2. Overall, entering into a lengthy dispute, particularly from the perspective of larger companies, appeared to be an effective way of postponing Council collection activity. 3. This arguably resulted in less equitable application of the Council's debt recovery policy, particularly from the perspective of proportionality, as larger companies appeared to be able to leverage their status to receive less robust treatment in respect of larger balances than individuals. However, we also noted 2 much smaller (sub £100) balances which had gone uncollected for over 10 years as a result of a legal dispute suggesting that this issue is not limited to corporate accounts. 4. The overall level of accounts in dispute was not reported to members. <p>Recommendation:</p> <p>Issue identified: Overall level of disputed debt is not clear from the Council's quarterly reports.</p> <p>Root cause: The Council does not include this information in its analyses.</p> <p>Risk: The Council's KPI does not give a full picture of the collectability of older balances.</p> <p>Recommendation: The Council should further analyse older balances between disputed and non-disputed accounts. This would give additional context to members and may further have the effect of adding an additional incentive to budget holders, legal and finance staff to resolve disputes.</p> <p>Overall conclusion: This is a complimentary recommendation to the enhancement of narrative reporting and introduction of time limits on budget holder level recovery activity. Therefore we consider this to be a low risk recommendation.</p>	<p>Management Response</p> <p>The report process will be reviewed so additional context can be given for old disputed debts.</p> <p>Responsible Officer: Ilyas Bham</p> <p>Executive Lead: Cllr K Ladkin</p> <p>Due date: April 2019</p>

Appendices

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Appendix 1 – Staff involved and documents reviewed

Staff involved

- Ashley Wilson – Section 151 Officer;
- Ilyas Bham - Deputy Section 151 Officer;
- Michelle Lockett – Controls Accountant
- Sheryl Wood – Income Officer

Documents reviewed

- Debt recovery policy
- Quarterly aged debt reports to members
- 90 day debt reports to budget holders
- Supporting working schedules for bad debt provision

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
Significant assurance	<p>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.</p> <p>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.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
Significant assurance with some improvement required	<p>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.</p> <p>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.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
Partial assurance with improvement required	<p>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.</p> <p>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.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
No assurance	<p>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.</p> <p>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.</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
High	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 style="list-style-type: none"> ▪ Key activity or control not designed or operating effectively ▪ Potential for fraud identified ▪ Non-compliance with key procedures / standards ▪ Non-compliance with regulation
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 style="list-style-type: none"> ▪ Important activity or control not designed or operating effectively ▪ Impact is contained within the department and compensating controls would detect errors ▪ Possibility for fraud exists ▪ Control failures identified but not in key controls ▪ Non-compliance with procedures / standards (but not resulting in key control failure)
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 style="list-style-type: none"> ▪ Minor control design or operational weakness ▪ Minor non-compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> ▪ Information for management ▪ Control operating but not necessarily in accordance with best practice

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Hinckley and Bosworth Borough Council

Financial Systems Internal Audit report as at Quarter 3

17 December 2018

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Agenda Item 9

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2 Key Findings & Recommendations

3 Appendices

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Report distribution:

For action:

- Section 151 Officer
- Finance Staff

Responsible Executives:

- Director (Corporate 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.

Executive Summary

Background

An ongoing audit of key financial systems is being undertaken as part of the approved internal audit plan for 2018/19. The purpose of this report is to set out our findings of audit covering the third quarter of the financial year.

Ensuring that appropriate internal financial procedures for the recording and reporting of a complete and accurate set of financial data is fundamental to the effective operation of the Council. Management and the Audit Committee also require assurance that effective financial controls are in place and are operating as expected.

To that end, we have designed and implemented a program of work designed to test performance of financial systems against the key risks identified and outlined within this report. Our approach is designed to test performance of financial systems across the full year. This report will also comment on the direction of travel and any improvements noted since our quarter 2 report. Further details of work performed against the risks identified is set out later in this report.

Objectives

Our work program considers the following key control objectives:

- **Legislation, Policies & Procedures:** staff are compliant with legislative and internal policy requirements. Policies ensure that core finance function is operated in an efficient and effective manner.
- **Financial Transactions & Record Keeping;** financial systems ensure reliability, integrity, confidentiality and security of financial information as follows;
 - **Reconciliations;** key reconciliations are undertaken on a timely and efficient basis, with reconciling items investigated to ensure compliance with internal policies, accounting standards and legislation as required. This ensures the reliability and integrity of financial information.
 - **System Access;** system access is secure, with an adequate procedure in place to ensure that this access is limited to appropriate individuals and regularly reviewed to ensure access is revoked and provided as required;
 - **Management Information:** key financial data is complete, accurate, secure and produced on a timely basis to allow for effective monitoring of the Council's financial position and assist with effective decision making and compliance with legislation and internal policies.

Further details on responsibilities, approach and scope are included the Audit Planning Brief issued in August 2018.

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.

Executive Summary

Conclusion

Significant assurance with some improvement required

We have reviewed the Council's financial systems and controls. 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 Committee. One weakness was noted in the controls designed to mitigate management information process risks examined during this audit.

Good practice

1. Based upon our review of the Council's key reconciliations and related monitoring process, we are of the view that the Council have well designed, robust internal control procedures, which ensure timely production and review of information with a sufficient degree of segregation of duties.
2. Access to financial systems is closely monitored. Our testing indicated that appropriate training is provided to new users.
3. The Council regularly reviews and updates policies & procedures to ensure that they are up-to-date and continue to be fit for purpose.
4. Control account reconciliation tested were generally found to be well designed and achieved their aim of ensuring accurate transfer of information between systems. As at the report date, we have now completed an individual review of all 12 of the Council's identified key reconciliations.

Areas for development

1. Redesign the format of the Council's financial rules document and include areas on responsibilities of individual committees and finance staff involvement in the disaster recovery plan per our recommendations in order to comply with best practice and increase overall clarity of the documents for users;
2. Implement an automated control to bring timing variances per the detailed level list into the summary level budget monitoring report. This will prevent detail level amendments going through once the initial review has been completed;
3. Review monthly close down point for the budget monitoring sheet and consider a full lock down of the document at a specified point in order to ensure that all adjustments are captured by review.

Recommendations

As we have concluded that the processes provide significant assurance with some improvement required, we have raised only low level recommendations or improvement points to address the weaknesses identified.

	High	Med	Low	Imp
Detailed findings	-	-	3	2

Acknowledgement

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

Progress against Q2 recommendations

In this table below, we have provided an update on progress made against audit recommendations from our quarter 2 financial systems audit report.

Issue	Recommendation	Progress	Status
13 of 48 reconciliations not performed in line with agreed timetable.	The finance function should review its work timetable to ensure that team members are able to achieve agreed timescales.	As at Q3, all subsequent recommendations were performed in line with the agreed timetable.	Implemented Per management comments at Q2, the issues encountered in the earlier part of the year stem from capacity issues as a result of competing demands of close down and external audit. Direction of travel at Q3 suggests that review of the process outlined by management responses at Q2 report has been successful. We will continue to monitor in subsequent reports.
High number of super user accounts on debtors module.	The Finance team should review the privacy group structure to ensure that individual users are able to raise invoices as required and also considers reducing the number of users with this level of access.	As at Q3, this remains the case.	Not yet due Management had set a deadline of 31 March 2019 to review this issue. As at Q3, this remains an issue.
There is no formal, timetabled review process of access rights.	The Council implements a periodic review of open accounts to ensure that access rights across the organisation remain appropriate.	As at Q3, no issues were noted with the level of access of user accounts sampled.	Implemented Testing at Q3 did not identify any issues; management have confirmed that a periodic review of "open accounts" will be implemented. Direction of travel appears positive. We will continue to monitor in subsequent reports.
Information drawn from the ledger in central budget monitoring report can be overwritten.	Finance staff should lock the source data column within the raw report. This would ensure that all adjustments are made in the adjustments column. This would aid transparency and prompt complete narrative explanations.	As at Q3 we note that our suggested control (whereby the source data column in the original report is locked) has been implemented.	Implemented Per previous column, we now deem this issue to be resolved.

Key Findings & Recommendations

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

Risk Area	Findings and Recommendation	Action Plan
Legislation, Policies & Procedures Staff are compliant with legislative and internal policy requirements. Policies ensure that core finance function is operated in an efficient and effective manner.	Key findings <ul style="list-style-type: none"> During this quarter we performed a review of the Council's financial regulations against best practice guidelines provided by CIPFA. The Council's financial rules are comprehensive and largely in line with the aforementioned recommendations. Financial rules are clearly posted on the Council's intranet and available for all staff to refer to. However, we note that the format of the Council's financial rules is not in line with the recommended headings set out by CIPFA. There were also a small number of omissions from the best practice guidelines. Recommendations:	
	Issue identified: The format of the Council's accounts differs from the best practice recommendations provided by CIPFA. Cause: The document is an updated version of a pre-existing internal format. Risk: The Council is non-compliant with best practice. Furthermore, non usage of the best practice format increases the risk that areas will be omitted. Recommendations: The Council should reformat its financial rules to be divided into five sub headings as follows: Financial Management & Control, Financial Planning, Risk Management and Control of Resources, Systems and Procedures, External Arrangements. Overall conclusion: As referred to above, the Council's policies are extensive and omissions against the best practice noted by our review were few. However, reorganisation in this manner may make it easier for readers to use and for omissions to be rectified in future. Therefore, this is a best practice recommendation .	Management Response: The Council's financial procedure rules form part of the constitution and the format is based on ease of use for officers. However as part of the next update the procedure will be reviewed against CIPFA's format. Responsible Officer: Ashley Wilson Due date: February 2020
	Issue identified: The Council's financial rules do not make reference to a disaster recovery plan for assets and data. Cause: Subject not covered in financial rules. Risk: A lack of clarity on disaster recovery planning from a finance perspective may lead to data or asset loss in the event of a catastrophic event. Recommendation; The Council should clearly set out its disaster recovery arrangements within the financial rules. Overall conclusion: Disaster recovery forms a discrete section of the Council's risk management processes in its own right. However, a reference to these arrangements in its financial rules will provide clarity to finance staff. Therefore we consider this to be a low risk recommendation .	Management Response: This is covered separately. However, a reference will be made as part of the next update. Responsible Officer: Ashley Wilson Due date: February 2020

Key Findings & Recommendations

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

Risk Area	Findings and Recommendation	Action Plan
Legislation, Policies & Procedures Staff are compliant with legislative and internal policy requirements. Policies ensure that core finance function is operated in an efficient and effective manner.	Recommendations (continued):	
	<p>Issue identified: The Council's financial management rules do not include a breakdown by committee of their roles and responsibilities within the process.</p> <p>Cause: Not included in existing format.</p> <p>Risk: The current set up may not provide full clarity for users of the financial rules.</p> <p>Recommendations: The Council should consider setting out a break down of roles and responsibilities by committee within its financial management section.</p> <p>Overall conclusion: Although the Council's document does not set out the information in the format suggested by CIPFA, we consider this to be of low risk from the perspective of achievement of the ultimate goal of the document. Therefore, we deem this to be a best practice recommendation.</p>	<p>Management Response: These are covered separately within the Council's constitution.</p> <p>Responsible Officer: N/a</p> <p>Due date: N/a</p>

Key Findings & Recommendations

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

Risk Area	Findings and Recommendation	Action Plan
<p>Reconciliations</p> <p>Key reconciliations are undertaken on a timely and efficient basis, with reconciling items investigated to ensure compliance with internal policies, accounting standards and legislation as required. This ensures the reliability and integrity of financial information.</p>	<p>Key findings</p> <ol style="list-style-type: none"> 1. Our work on this area covers the key reconciliations process for August, September and October 2018. We note that 100% of the key reconciliations identified were completed and reviewed within the Council's internal timeframe. 2. We also completed our first detailed review of each of the individual reconciliations. The work program during this period covered; bank reconciliation, debtors, cash day book and NDR refunds. We noted no issues with the set up and performance of these individual reconciliations. Furthermore we were satisfied that there was sufficient evidence that reconciling items were reviewed and resolved in a timely manner. 3. The general direction of travel on this section of the review is positive. Our findings here appear to be consistent with management responses to our Q2 report, namely that the finance team experienced delays in the early part of the year as a result of competing pressures relating to accounts close down and external audit, however there was no evidence of slippage in our Q3 review with all reconciliations being complete and reviewed within the stated time frame. <p>Recommendations</p> <p>No specific recommendations stem from the results of our Q3 work.</p>	<p>Management Response:</p> <p>N/A</p>

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>System Access</p> <p>System access is secure, with an adequate procedure in place to ensure that this access is limited to appropriate individuals and regularly reviewed to ensure access is revoked and provided as required.</p>	<p>Key findings</p> <ul style="list-style-type: none"> ▪ Of 9 user accounts tested across the general ledger, creditors and debtors modules of Civica Financials, we noted no accounts with inappropriate access level. We also performed an overall review of access rights within the purchase order module and are satisfied that access levels are appropriate at the reporting date. ▪ Given the overall low numbers of new applications for systems access or amended user rights we have deferred additional testing of this control until Q4, where we will consider all related activity for the second half of the financial year. ▪ We performed a review of accounts with “full access” or “super user” rights. The previous quarter’s findings were that there appeared to be an unusually high number of effective super users within the debtors module; this continued to be the case at Q3, with 8 accounts identified with this access level (besides the two remote access accounts held by software providers for the purposes of updates and maintenance). Whilst we recognise that the Council have set a response date of 31 March 2019 in their responses to the previous report, we feel that reporting this position remains relevant to the committee. <p>Recommendations</p> <p>Based on the above, we note no additional recommendations against this area of the report.</p>	<p>Management Response:</p> <p>N/a</p>

Key Findings & Recommendations

Issue	Findings and Recommendation	Action Plan
Management Information Key financial data is complete, accurate, secure and produced on a timely basis to allow for effective monitoring of the Council's financial position and assist with effective decision making and compliance with legislation and internal policies.	Key findings <ul style="list-style-type: none"> ▪ We reviewed the Council's budget monitoring process for month 7 (October). In the light of findings reported to the committee following our Q2 report, our work in this quarter had a particular focus on the reconciliation process between the underlying ledger and budget monitoring reports. ▪ We note that the Council has implemented our suggested control from the previous quarter by locking the source data columns within the budget monitoring report. We also reviewed the reconciliation between the raw ledger report and the detailed budget report and confirmed that there were no variances. ▪ However, we noted a £10k variance between timing variances reported on the central sheet and the detail level analysis which is completed by individual finance staff. This was as a result of a typing error. 	Management Response: Recommendation 1: There was no difference in the report. We believe that the auditors may have been forwarded a working copy before review. Timing differences are checked and the overall position is reconciled. Responsible Officer: N/a Due date: N/a
	Recommendations Issue identified: A £10k variance was noted between the gross value of timing variances as reported to members and the total value per the detailed spreadsheet completed by individual finance team members. Cause: Value of timing differences is manually input into the main sheet. Risk: A typographical error of the type noted can lead to the under or over reporting of budget positions within management reports. Recommendations: The Council should consider including the analysis of timing variances as a separate tab within the monitoring document and automating the update of the summary level timing variances column via an Excel SUMIF formula. Overall conclusion: Mitigating controls suggest that the possibility of a higher value variance being unreported are low therefore we deem this to be a low risk recommendation .	Recommendation 2: Changes may be ongoing until senior management review. Once the review is concluded a pdf version is created which is the final version. No changes to this can be made. Responsible Officer: Ilyas Bham. Due date: Already implemented.
	Issue identified: A secondary factor in the issue noted above is that the adjustment happened after the overall review and sense check by the reporting accountant prior to senior management review. Cause: Report is open access and adjustments can be made throughout process. Risk: Typographical or other issues as detailed above could go undetected. Recommendations: Finance staff should consider implementing an absolute cut off date for adjustments (potentially via restricting document access) and should ensure that all required adjustments have been actioned prior to finalising the report for senior management review. Overall conclusion: As above, the presence of mitigating controls (such as reporting thresholds which pick out larger variances for comment) suggest that the chances of this resulting in a significant misstatement are low, therefore we consider this a low risk recommendation .	

Appendices

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Appendix 1 – Staff involved and documents reviewed

Staff involved

- Ashley Wilson – Section 151 officer;
- Ilyas Bham – Deputy Section 151 officer;
- Michelle Lockett – Controls Accountant, Exchequer Team Leader;
- David Wallbanks – Accountant;
- Fiona McArthur – Systems Accountant
- Olga Ismay – Finance Officer

Documents reviewed

- Financial Procedure Rules
- Contract Procedure Rules
- Various reconciliations as required
- Monthly budget monitoring reports
- Civica Systems Access reports

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
Significant assurance	<p>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.</p> <p>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.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
Significant assurance with some improvement required	<p>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.</p> <p>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.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
Partial assurance with improvement required	<p>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.</p> <p>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.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
No assurance	<p>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.</p> <p>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</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
High	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 style="list-style-type: none"> ▪ Key activity or control not designed or operating effectively ▪ Potential for fraud identified ▪ Non-compliance with key procedures / standards ▪ Non-compliance with regulation
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 style="list-style-type: none"> ▪ Important activity or control not designed or operating effectively ▪ Impact is contained within the department and compensating controls would detect errors ▪ Possibility for fraud exists ▪ Control failures identified but not in key controls ▪ Non-compliance with procedures / standards (but not resulting in key control failure)
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 style="list-style-type: none"> ▪ Minor control design or operational weakness ▪ Minor non-compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> ▪ Information for management ▪ Control operating but not necessarily in accordance with best practice

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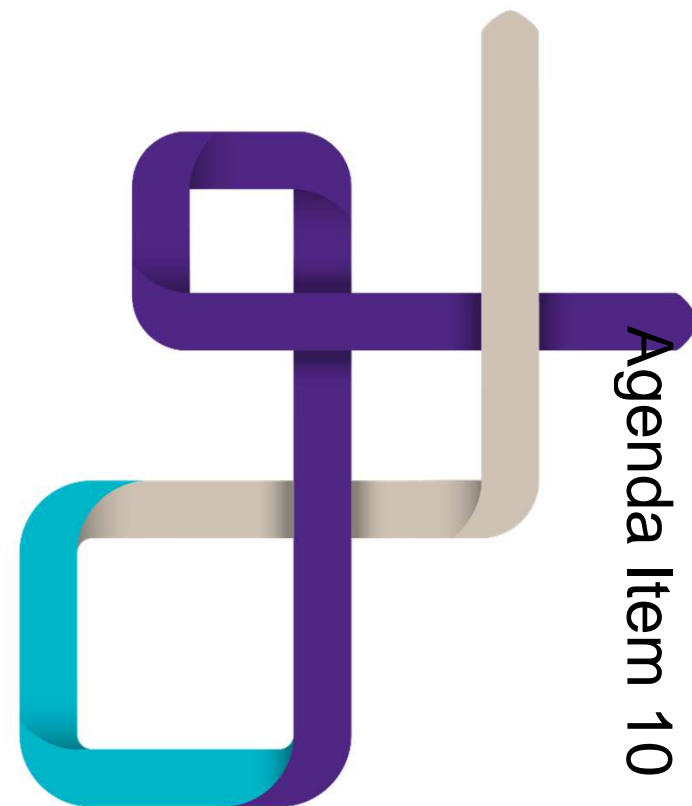
Progress Report

Year ending 31 March 2019

Hinckley and Bosworth Borough Council

12 December 2018

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Introduction & headlines

Purpose

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

Final reports issued

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

Audit Completed	Overall assurance rating
Financial systems (for Q1 & Q2)	Significant assurance with some improvement required
Risk management	Significant assurance with some improvement required
Electoral register	Significant assurance
GDPR	Significant assurance with some improvement required

Work completed

As at the date of preparing this report, we have completed 76 days (58%) of our annual internal audit plan.

The table above details the final reports issued. Draft reports have been issued for a further three reviews.

At management’s request, our debt management review, as part of the financial systems work has been modified. We have undertaken separate reviews of sundry debts and housing rent debts. The work in these areas is complete with closure meetings held. We are awaiting management comments to enable these reports to be finalised. Specific consideration of management of debts has also been incorporated into the revenues and benefits review, for which a final report will be presented to the Partnership Board in January before coming to the Audit Committee.

Work planned

We have completed the fieldwork for our crematorium review and we are scheduled to feedback our findings to management early in the new year.

We have had held scoping meetings with management for the following audits and are drafting the audit planning briefs to agree with management. Our work is scheduled to start early in the new year for the following reviews:

- Private Sector Housing
- Housing repairs
- Housing revenue account (HRA) business plan

The estates review is planned for quarter 4 and we have requested a set up meeting so that we can scope our work.

Changes to the audit plan

No further changes have been made to the audit plan.

Recommendation tracking

As reported to the last committee, there are two legacy recommendation outstanding, neither of which are due to be implemented prior to this Audit Committee meeting.

Risk management: No medium level recommendations or above. Evidence has been provided to demonstrate low level risks have been actioned.

Financial systems Q1 & Q2: No medium level recommendations or above. Other recommendations considered as part of Q3 report, which is included in the committee agenda.

Resourcing

We confirm that we have sufficient resources available to deliver the remainder of the internal audit plan on time. We will flex the plan where needed for emerging priorities and to accommodate timescales requested by management.

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 Q1&Q2	Q3								Included in above
Housing debt rent recovery		Q3								2
Estates and Assets	12	Q4								0
Housing	9	Q4								0.5
Housing repairs	9	Q4								0.5
Private sector housing	8	Q4								0.5
Crematorium	8	Q3								6
Revenues and benefits partnership	10	Q3								10
Sub-total	108									67.5
Recommendation follow up	4	Ongoing								2
Contract management and administration	3	Ongoing								2.5
Annual risk assessment and planning	3	Complete								3
Attendance at audit committee meetings	2	Ongoing								1
Contingency	10									0
Sub-total	22									8.5
Total	130									76

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.