

# *Internal Audit Progress Report*

Hinckley and  
Bosworth Borough  
Council

October 2016

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**Distribution List**

For information

Audit Committee

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# Introduction

## *Purpose of this report*

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

## *2016/17 Internal Audit Plan Progress*

The draft 2016/17 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 27 July 2016. The Internal Audit Plan sets out the risks that were identified as part of the planning process, together with the targeted work to be performed in order to address the identified risks. We will report back to you on any changes to the assessment of audit risks and on the work undertaken in response to the risks identified.

We have concluded our Internal Audit fieldwork in the following areas:

- Corporate Governance

We have started our Internal Audit fieldwork and are pleased to report work is ongoing in the following areas:

- Finance;
- Compliance;
- Estates and Assets;
- Community Safety;
- Partnerships;
- Environmental Health; and
- Revenues and Benefits Partnership.

A detailed assessment of our performance against the Internal Audit Plan, tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 22 of the planned audit days. This represents 17% of the annual internal audit plan and is broadly in line with our planned timescales.

## *Changes to the 2016/17 Internal Audit Plan*

Our original plan indicated that there would be two reviews into Housing Benefits and Fraud prevention and detection in the Revenues and Benefits Partnership. Following a scoping meeting with the Head of the Revenue and Benefits Partnership in August 2016 we have determined it more appropriate to undertake one substantial review focused on key areas of risk currently facing the Revenues and Benefits Partnership rather than reviewing basic operating controls in two areas. In agreement with management we will use the 14 days included in the Internal Audit Plan to undertake just one specifically tailored review. This work is due to commence in quarter three.

Our original plan indicated that there would be a review around Environmental Health during quarter 3. Following a scoping meeting with the Environmental Health Chief Officer in August 2016 we have determined it more appropriate to undertake a review into the processes and controls around the Garden Waste Recycling charges which fall under the remit of the Street Scene services rather than Environmental Health. The work is still scheduled to take place during quarter 3.

Our original plan indicated that some days of the internal audit plan would be used to support the Council with the advancement of the Hinckley and Bosworth Development Company. Following a scoping meeting with the Estates and Asset Manager in August 2016 it was confirmed that the Council have decided they will not be

progressing with the Development Company and as such further support is not required. We will review at a future date if the allocated audit days can be used to support future Council projects.

# Activity and progress

## Final reports

Since our previous Internal Audit Progress Report, we have issued a final report for the following review performed in accordance with the 2016/17 Internal Audit Plan:

Ref	Name of audit	Conclusion	Date final report issued	Number of recommendations made			
				Critical	High	Medium	Low
A4	Corporate Governance	Low risk	September 2016	0	0	1	2

## Planned fieldwork

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

- **Finance, Estates and Assets, Environmental Health, Revenues and Benefits Partnership:** scoping meetings have been held and terms of reference developed. We are in the process of finalising the terms of reference and fieldwork dates to commence shortly;
- **Community Safety:** a scoping meeting was held on 25 August and management requested more time to consider the potential scope of work before a terms of reference is drafted. No response has yet been provided;
- **Partnerships:** a scoping meeting was held on the 13 July and terms of reference agreed. Fieldwork is expected to commence in mid-October, once the terms and conditions for the new contract have been agreed; and
- **Compliance:** a scoping meeting was held on the 13 July and we identified that the original scope of work is no longer appropriate. We have proposed to amend the scope of work to focus on the configuration of the security appliances to ensure they meet best practice and to establish they have been embedded in the Council's infrastructure correctly. We expect to issue a terms of reference and commence fieldwork in mid-October.

# Appendix 1: Detailed progress tracker

<i>Ref</i>	<i>Auditable Unit</i>	<i>Indicative number of audit days*</i>	<i>Actual audit days to date</i>	<i>Proposed fieldwork dates</i>	<i>Scoping meeting date</i>	<i>Proposed draft report date</i>	<i>Proposed management response date</i>	<i>Proposed final report date</i>	<i>Audit Committee reporting date</i>
<b>A.1</b>	Finance	15	1	Q3	25/8/16	13/01/2017	20/01/2017	27/01/2017	March 2017
<b>A.3</b>	Compliance	10	1	Q2	13/7/16	November 2016	November 2016	November 2016	December 2016
<b>A.4</b>	Corporate Governance	15	10	Q2	13/7/16	2/9/16	9/9/16	16/9/16	October 2016
<b>A.6</b>	ICT	12	-	Q4	TBC	TBC	TBC	TBC	April 2017
<b>A.7</b>	Estates and Assets	16	1	Q3	25/8/16	December 2016	December 2016	December 2016	December 2016
<b>B.1</b>	Housing	6	-	Q4	TBC	TBC	TBC	TBC	April 2017
<b>B.2</b>	Community Safety	6	0.5	Q3	25/8/16	TBC	TBC	TBC	December 2016
<b>B.3</b>	Partnerships	10	1.5	Q1	13/7/16	October 2016	October 2016	October 2016	October 2016
<b>B.4</b>	Environmental Health	6	1	Q3	24/8/16	25/11/16	2/12/16	9/12/16	December 2016
<b>C.3</b>	Housing Benefit	7	0	Q4	NA – combine with review below				
<b>C.4</b>	Fraud prevention and detection	7	1	Q3	15/8/16	November 2016	November 2016	November 2016	December 2016
<b>D.1</b>	Project management	8	5	Q1-Q4	NA	NA	NA	NA	NA
<b>D.2</b>	Prior year recommendations follow up	7	-	Q1-Q4	NA	TBC	TBC	TBC	April 2017
<b>D.3</b>	Contingency	5	-	Q1-Q4	NA	NA	NA	NA	NA
	Total audit days	130	22						

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

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## Appendix 2: Overdue recommendations

The following table identifies internal audit recommendations we have made which are currently overdue their expected implementation deadline. In addition, there are x internal audit recommendations made by CW Audit Services predating 1 April 2015 which we have not reported here. A discussion was held with the Interim Head of Finance with regards to how management are addressing the significant number of overdue actions going forward and we hope to see a decline in the number of outstanding actions going forwards.

Audit Title	Finding Heading	Finding Rating	Agreed Action	Responsible People	Implementation Deadline	Days Overdue
To update – Traction currently not working						



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# Appendix 3. Recent Publications

## *PwC Publications*

As part of our regular reporting to you, we keep you up to date with the emerging thought leadership we publish in addition to updates on issues that may impact on the Council.

### *The impact of Brexit on Government and Public Sector*

With the outcome of the EU referendum being to leave the EU, you will no doubt be thinking about issues ranging from changes to regulations and the impact on your future funding to migration and the impact on public services. And, while the outcome of the vote is known, a long period of adjustment will now follow a decision to leave which bring with it a period of uncertainty. The outcome will impact all of us, personally and professionally. In this short paper, we set out some of the implications for the public sector to help you make informed decisions about your strategic choices as we prepare to exit the EU.

You can read the paper at <http://www.pwc.co.uk/the-eu-referendum/the-impact-of-brex-it-on-government-and-public-sector.html>

### *PwC Public sector contracts: are you getting what you've paid for?*

The UK public sector spends over £100bn per annum on contracts with third-party suppliers. Billing errors alone can run to millions of pounds, undetected. This article outlines three ways to ensure you are getting value for money: <http://pwc.blogs.com/publicsectormatters/2016/03/public-sector-contracts-are-you-getting-what-youve-paid-for.html>

## *Tax Consultations*

### *Salary Sacrifice*

It is currently proposed that the tax effectiveness of many salary sacrifice arrangements will be removed from 6 April 2017. The proposal is that only pension contributions, cycles, childcare and employer provided pension advice will still attract a tax and employer's National Insurance Contribution (NIC) saving through salary sacrifice.

The proposal is that the greater of the salary sacrificed or the cash equivalent of the benefit will be subject to both tax and Class 1A NIC for all but the above excluded benefits. There is however currently no proposal to charge employee's NIC on the Benefit in Kind or sacrificed sum.

Employers with salary sacrifice arrangements and flexible benefit packages will need to urgently assess their benefit offering to determine the appropriate next steps. Arrangements likely to be affected by the current proposals include car parking, living accommodation, cars, technology and training.

### *Termination payments*

Following an earlier consultation, HMRC have released draft legislation confirming their intention to:

- Charge employer's NIC on termination payments above £30,000;
- Remove the foreign service exemption and limited foreign service exemption; and
- Subject all Payments In Lieu of Notice (PILONs) to tax as if they were 'contractual PILONs'.

These changes are scheduled to come into effect from April 2018. Prior to this date it will be necessary to review termination policies and procedures as well as budget for the potential increase in costs associated with the additional employer's NIC charge.

### *Other relevant consultations*

Finally, HMRC have also released two additional consultations regarding simplifying the PAYE Settlement ("PSA") process and giving clarity on when 'making good' employer's costs will reduce or eliminate a benefit-in-kind. Both of these appear at first reading to be welcome proposals for simplification, including the possibility of online PSA reporting in future alongside streamlining the PSA agreement process.

The combination of the above proposed changes (especially around salary sacrifice) represent what could be viewed as some of the most significant changes to the employment tax environment in many years. If you would like more information on how any of these upcoming changes could affect your organisation, or want to discuss the responses we are seeing in the market more generally, then please do not hesitate to contact a member of the audit team and they will pass on your details to one of our local employment tax experts.

### *National Insurance on Termination Payments*

Announced in the 2016 Budget, employers will now need to pay national insurance on any pay-offs (e.g. termination payments) above £30,000 where income tax is also due. The change will take effect from April 2018. Full payments will remain out of the scope of employee national insurance contributions. The scope of payments which are eligible for the £30,000 exemption has also been tightened.

Further details can be found at: <https://www.gov.uk/government/publications/budget-2016-documents/budget-2016#executive-summary>



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

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