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Internal Audit Report 2017/2018

Corporate Governance & Risk Management

*Hinckley & Bosworth
Borough Council*

September 2017

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Distribution list

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

For information: Audit Committee

Executive summary (1 of 3)

Report classification



Low Risk (2 points)

Trend



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

Total number of findings

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

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

Executive summary (2 of 3)



Headlines/summary of findings

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

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

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

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

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

Executive summary (3 of 3)



Headlines/summary of findings

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

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

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

Current year findings (1 of 4)

Risk Management and Mitigating Actions Review

Operating Effectiveness

1

Finding rating

Rating

Low

Finding and root cause

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

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

Implications

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

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

Action plan

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

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

Responsible person/title:

Cal Bellavia (Consultation and Improvement Officer)

Target date:

December 2017

Current year findings (2 of 4)

Corporate Performance Reporting

Operating Effectiveness

2

Finding rating

Rating

Low

Finding and root cause

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

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

Implications

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

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

Action plan

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

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

Responsible person/title:

Cal Bellavia (Consultation and Improvement Officer)

Target date:

December 2017

Current year findings (3 of 4)

Delegated Decisions

Control Design

3

Finding and root cause

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

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

Implications

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

Action plan

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

Responsible person/title:

Rebecca Owen (Democratic Services Officer)

Target date:

Already actioned



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendices

Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

Medium

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:





- **Minor** impact on the organisation’s operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

Advisory

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

Report classifications

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

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

Appendix B: Terms of reference



Background and audit objectives



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

Background and audit objectives

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

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

The objective of risk management is to:

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

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

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

Audit scope and approach (1 of 2)



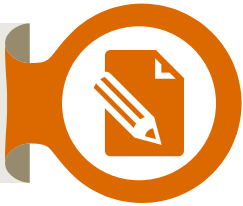
Scope

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

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

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

Audit scope and approach (2 of 2)



Limitations of scope

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

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

Audit approach

Our audit approach is as follows:

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

Internal audit team and key contacts



Internal audit team

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

Key contacts – Hinckley and Bosworth Borough Council

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

Timetable and information request



Timetable

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

Agreed timescales are subject to the following assumptions:

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

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

Information request

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

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor’s work

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

Internal control

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

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

Responsibilities of management and internal auditors

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

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

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

This document has been prepared only for Hinckley and Bosworth Borough Council and solely for the purpose and on the terms agreed with Hinckley and Bosworth Borough Council in our agreement dated 10 May 2016. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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

In the event that, pursuant to a request which Hinckley and Bosworth Borough Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Hinckley and Bosworth Borough Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. 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 Legislation to such report. If, following consultation with PwC, Hinckley and Bosworth Borough Council discloses any this document or any part thereof, 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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