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# *Internal Audit Progress Report 2017/18*

*Hinckley and  
Bosworth Borough  
Council*

*October 2017*

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For information:                      Audit Committee

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## Summary



### *Purpose of this report*

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

### *Progress against the 2017/18 internal audit plan*

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

## Activity in the period



### Completed reviews

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

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

### Activities in the period

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

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

### Other activities in the period

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

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

## Progress against plan (1 of 2)

### Progress against 2017/18 internal audit plan

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

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

## Progress against plan (2 of 2)



### *Changes to the Internal Audit Plan*

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

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



**Appendix A: Outstanding  
audit actions**

**Appendix B: Internal audit -  
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# *Appendices*

## Appendix A: Outstanding audit actions

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

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

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



## Appendix A: Outstanding audit actions

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

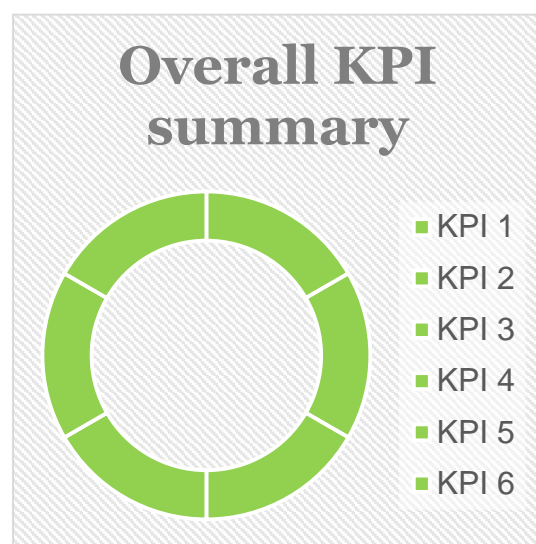
Audit	Finding heading	Finding rating	Agreed action	Responsible person	Implementation deadline	Days overdue
Safeguarding	Closing the loop on referrals – control design	Low	1) The Council will determine corporately the extent of follow up of cases required, given current capacity. 2) The Incident Reporting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

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

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

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

## Appendix B: Internal audit - Key performance indicators



Target fully achieved

Target achieved with minor exceptions

Target not achieved



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

Appendix A: Outstanding audit actions

Appendix B: Internal audit - Key performance indicators

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

Appendix D: Thought leadership

## Appendix C: Analysis of days included in plan

Ref	Auditable Unit	Q	Audit days*	Audit days used to date
<b>A</b>	<b>Cross cutting services</b>			
A.1	Compliance	Q3	10	0
A.2	Corporate governance / risk management	Q2	13	7
<b>B</b>	<b>Corporate Services</b>			
B.1	Legal services	Q2	7	1
B.2	HR and transformation	Q4	8	0
B.6	Finance	Q3 Q1-4	15	5
B.7	Estates and assets	Q3	10	0
<b>C</b>	<b>Community services</b>			
C.4	Housing options	Q2	8	1
C.5	Private sector housing	Q3	8	0
C.7	Strategic and community planning	Q4	8	0
<b>D</b>	<b>Environment and planning</b>			
D.1	Environmental Health	Q3	8	0
<b>E</b>	<b>Revenues and Benefits Partnership</b>			
E1-4	Revenues and benefits partnership	Q3	12	1






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

## Appendix D: Thought leadership: GDPR

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

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

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

				
Individuals	Portable and forgettable data	Transparency	Risk from third parties	Timelines and fines
<p><b>It puts individuals back in control of their personal data</b></p> <p>Customers and employees have more power to control how businesses use their data. You could be required to report on, move or dispose of personal data if requested and you must have the capabilities to do this. Your options for using personal data are restricted.</p>	<p><b>Data must be easily portable and forgettable</b></p> <p>You must be able to provide individuals with their personal data in a structured, commonly used and machine readable form. Your systems and processes will have to let you truly 'forget and delete' data upon request from the individuals including long term archives.</p>	<p><b>How you use data will be more transparent</b></p> <p>The rules on consent are getting tougher, and individuals can withdraw consent at any time. You'll be required to articulate all of the ways in which you use personal data, and make it clear to individuals what their data is being used for and who you have shared it with.</p>	<p><b>Third parties could put you at risk</b></p> <p>You will remain responsible for individuals' personal data throughout the entire data lifecycle. You will have to assure that data you pass to third parties is handled in a manner compliant with GDPR</p>	<p><b>Fines are getting bigger, and the timelines are getting shorter</b></p> <p>Fines for non-compliance can be as severe. You will be under legal obligation to notify data protection authorities within 72 hours of a data breach, and individuals without delay. You will have to keep records of your data processing activities, undertake privacy impact assessments and appoint a Data Protection Officer (DPO).</p>

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

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

### Key findings:

#### The 'edge' feels closer

Almost a third of councils now feel that the 'cliff edge' is imminent and are not confident of their ability to deliver in the year ahead. When considering the three and five year outlooks, confidence halves and then halves again with only 16% confident that they will be able to make the necessary savings without impacting the quality of services or outcomes in the next five years.



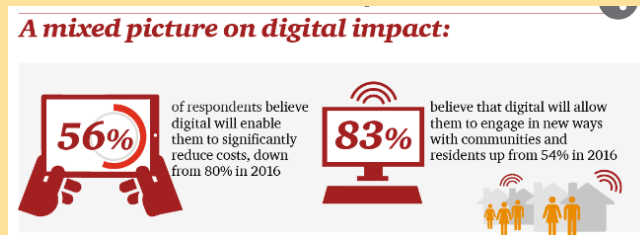
#### Councils are at the heart of public service reform, but it is a challenge

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

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

#### Significant capacity and capability gaps remain

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

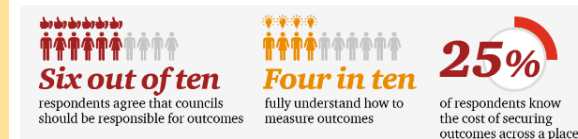


#### Managing data and driving insight is a gap

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



#### Local outcomes are at the heart of public sector reform





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

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

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

### Continuing Growth in new businesses

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

### A local approach delivering results

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

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

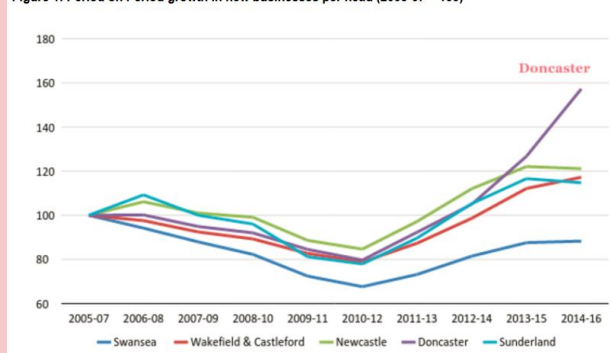
How effective has this plan been? Beyond the headline result of increasing numbers of new businesses, a 2015 review of a pilot scheme to encourage inward investment identified over **535 jobs were expected to be created, with initial investment reaching over £21 million**. This is equivalent to approximately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

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

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

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

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





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