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Internal Audit Progress Report 2017/18

***Hinckley and
Bosworth Borough
Council***

November 2017

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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. We have continued to assess the plan to make sure it remains appropriate and some changes are proposed to the plan which are detailed later in this report.

Activity in the period



Activities in the period

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

Fieldwork completed and draft report in production:

- Legal
- Complaints
- Continuous auditing Q2

Fieldwork planned

- Revenues and benefits partnership

Terms of reference in development

- Housing repairs
- Environment health
- Section 106

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.

Progress against plan (1 of 2)

Progress against 2017/18 internal audit plan

Ref	Auditable Unit	Audit days*	Q	Comments	Audit Sponsor
A Cross cutting services					
A.1	Compliance	10	Q3	Fieldwork was undertaken in the week commencing 13 th November. We are currently preparing a draft report to share with officers.	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 Corporate Services					
B.1	Legal services	7	Q2	Fieldwork was undertaken in the week commencing 9 th October. We are awaiting a final piece of evidence and then we will be in a position to issue a draft report.	Aftab Razzaq
B.2	HR and transformation	8	Q4	No action yet taken	Julie Stay
B.6	Finance	15	Q3 Q1-4	We are finalising our Q2 report with management and have planned to undertake the same scope of work will be repeated throughout the year. We have held a scoping meeting and are in the process of agreeing a terms of reference for the work around section 106 monies.	Ashley Wilson
B.7	Estates and assets	10	Q3	Review removed from the plan	Malcolm Evans
C Community services					
C.4	Housing options	8	Q2	We have held a scoping meeting and are in the process of agreeing a terms of reference for the work around Housing Repairs	Jo Wykes
C.5	Private sector housing	8	Q3	Review to focus on Lightbulb project – to be deferred until the programme is better established.	Rosemary Leach

* 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 (1 of 2)

Progress against 2017/18 internal audit plan

Ref	Auditable Unit	Audit days*	Q	Comments	Audit Sponsor
C.7	Strategic and community planning	8	Q4	Discussed as part of the scoping meeting with officers, may change focus of review but yet to confirm in what area we will focus.	Edwina Grant
D	Environment and planning				
D.1	Environmental Health	8	Q3	Scoping and terms of reference developed and awaiting management approval	Steve Merry
E	Revenues and Benefits Partnership				
E1-4	Revenues and benefits partnership	12	Q3	Terms of reference have been agreed and fieldwork has been planned	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.

Proposed change / additional review	Impact on planned days	Rationale for change
Estates and assets	-10	Agreed with the Section 151 officer to remove as a detailed review was undertaken in Q4 2016/17 and there has been very little change or developments in the area since then.
Finance	+2	Additional days to extend scope of section 106 monies review.
Housing options	+4	Agreed to change the review to focus on housing repairs following a scoping meeting with the Director. Additional days to be used from available days to extend the scope of work to cover two areas.
Private sector housing	-8	Review to focus on Lightbulb project – to be deferred until the programme is better established.
Total	-12	Discussions underway with management about how best to utilise the available days in the internal audit plan.



**Appendix A: Outstanding
audit actions**

**Appendix B: Internal audit -
Key performance indicators**

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

**Appendix D: Thought
leadership**

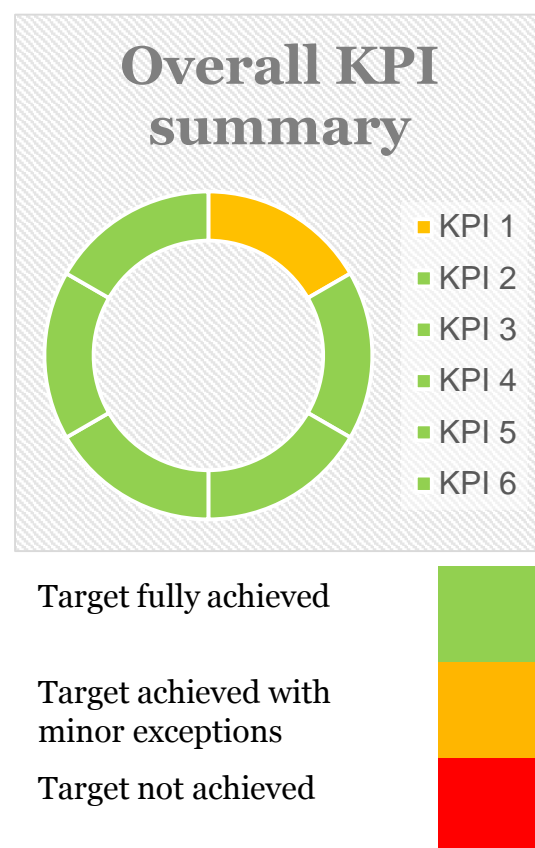
Appendices

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 currently open findings.

Audit Year	Audit Title	Total
2016	Corporate Governance and Risk Management	5
	Financial Systems	1
	Housing Rents	4
	Markets	2
	Community Safety	4
2017	Corporate Governance	1
	Estates and Assets	4
	Finance	1
	I.T. Partnership	1
	Information and cyber security review	6
2018	Corporate Governance and Risk Management	2
Grand Total		32

Appendix B: Internal audit - Key performance indicators



KPI	Target	Actual results for year to date	Comments
1) Audits budgeted v actual	+/- 10 plan days	-12	Discussions underway with management about how best to utilise the available days in the internal audit plan.
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 - Corporate Governance & Risk Management
4) Draft reports issued promptly	100%	100%	Draft reports have been issued for: - Q1 and Q2 finance - Corporate Governance & Risk Management
5) Attendance at Audit Committee	100%	100%	Agreed with management that attendance at the September 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
A	Cross cutting services			
A.1	Compliance	Q3	10	1
A.2	Corporate governance / risk management	Q2	13	7
B	Corporate Services			
B.1	Legal services	Q2	7	6
B.2	HR and transformation	Q4	8	0
B.6	Finance	Q3 Q1-4	15	7
B.7	Estates and assets	Q3	10	0
C	Community services			
C.4	Housing options	Q2	8	1
C.5	Private sector housing	Q3	8	0
C.7	Strategic and community planning	Q4	8	0
D	Environment and planning			
D.1	Environmental Health	Q3	8	1
E	Revenues and Benefits Partnership			
E1-4	Revenues and benefits partnership	Q3	12	1

Ref	Auditable Unit	Q	Audit days*	Audit days used to date
F	Project Management			
F.1	Prior year recommendation follow up	Q1-Q4	7	1
F.2	Project management	Q1-Q4	8	5
F.3	Contingency	Q1-Q4	3	0
Total days			125	30

Appendix D: Thought leadership

Growth, place or people: the housing association of 2022

The UK has a national housing challenge incorporating affordability, supply and social considerations. Recognising that housing associations can't be all things to all people, we have imagined three housing delivery imperatives and the types of association that will need to be part of the sector-wide response.

We ask the questions: Which type of HA are you, how ready are you to execute your choice and what does that mean for the way you currently operate?

Growth focused – we build.

Combining financial strength, commercial innovation, and supply chains to build at scale.

Driving Goal:

Maximising the capacity and capability to deliver more homes where they are needed.

How to compete:

Building internal capacity and skills to rapidly grow the existing and future pipeline complemented by effective partnering with peer organisations, lenders, investors and the wider supply chain, exploring new business and partnership models, innovative investment vehicles, and merger to do this.

Key success measure:

Number of new homes



Place-shaping: we create.

Using local strategy, multi-disciplinary teams, and partnerships to create sustainable infrastructure and communities.

Driving Goal:

Positively transforming an area for the benefit of the local community through joined-up delivery planning and delivery.

How to compete:

Engaging at a local level with government, business and other infrastructure and service providers to plan, design and deliver development and management approaches that align to place-based need.

Key success measure:

Improvement in the physical fabric and socio-economic performance of a local area.

People-focused: we enable.

Part of a network that brings together investment, landlord services, and skills to enable inclusion, independence, and opportunity.

Driving Goal:

Maximising life chances for individuals through the provision of homes and services.

How to compete:

A workforce – direct or provided in partnership – with the right capacity, skills, and commitment to provide services that can enable individuals to become independent while also ensuring homes and estates are well managed.

Key success measure:

High levels of positive engagement with customers
Improvement in life chances of customers



Read the full report at:
<https://www.pwc.co.uk/industries/government-public-sector/local-government/insights/growth-place-or-people-the-housing-association-of-2022.html>

Appendix D: Thought leadership

Global State of Information Security® Survey 2018

Across the globe, businesses are racing to implement new technologies, using data to innovate and grow in an increasingly inter-connected world. Organisations face disruption from new market entrants, emerging technology and an ever-changing threat landscape. To compete in the digital world, they must recognise and protect themselves from cyber risks and build resilience to cyber shocks - large-scale events with disruptive consequences.

Our Global State of Information Security® Survey is based on interviews with 9,500 business and technology executives from 122 countries, including 560 UK respondents.

Business impact

There's no doubt that the impact across a business from a cyber attack is severe. More than a quarter of businesses (28%) don't know how many cyber attacks they've had and a third don't know how they happened.

Although the average total financial cost of incidents decreased this year to £857,000, the impact of breaches was felt more widely across both business operations and data.

Business readiness

Despite the impact on a business from an attack, nearly one in five respondents (17%) say their organisation doesn't prepare or drill for cyber attacks.

Less than half (49%) conduct penetration tests to examine their defences. And less than half (44%) have a cyber insurance policy in place to cover the various impacts of breaches.

The majority of UK organisations surveyed (64%) have an overall security strategy in place and 53% agree that spending of their information security budget is based exclusively on risk. However, only 34% have boards actively participating in the strategy, compared to the global average of 44%.

Recovery time

Average impact faced by businesses following an attack.



Source: PwC GSIS 2018

You can read more at:

<http://www.pwc.co.uk/issues/cyber-security-data-privacy/insights/global-state-of-information-security-survey.html>

Appendix D: Thought leadership

The local vantage: how views of local government finance vary across councils

Local government finance in England in the 2010s can be characterised by two major trends: large (albeit varying) cuts to council budgets; and a shift from centralised redistribution of funding towards a greater emphasis on fiscal incentives for revenue growth, most notably via the introduction and potential extension of the business rates retention scheme (BRRS).

It is in this context that this report, jointly written by researchers at the Institute for Fiscal Studies (IFS), the Local Government Information Unit (LGIU) and PwC, looks at how the views of councils' decision-makers relate to the characteristics of the councils they represent or work for. In particular, we focus on views in two key areas: the quality of service provision; and the impact and design of the BRRS. Such an analysis allows us to examine whether perceptions of two key issues differ systematically between areas with different financial, political and socio-economic characteristics.

Key findings

- Almost nine-in-ten respondents say that service quality was maintained or improved in 2016–17, despite cuts.
- Views on likely changes in service quality in 2016–17 and 2017–18 are unrelated to either a council's level of revenues per capita or the scale of recent cuts to its revenues per capita.
- Larger falls in revenues are associated with less confidence about likely service quality in the medium term (2019–20).
- Two-thirds of survey respondents say that it is impossible to work out whether their council has gained financially from the current BRRS.
- Respondents from councils that we estimate have relatively gained from the existing BRRS are more optimistic about the local impact of a 100% BRRS.
- Those expecting to gain from a 100% BRRS are also more likely to say that such a scheme would provide an incentive to councils more generally to promote economic growth.
- Conservative-run councils and those with lower levels of spending need are more likely to favour prioritising financial incentives over redistribution in the design of the 100% scheme, than Labour-run councils and those with higher levels of spending need.

Taken together, the findings demonstrate and reflect some of the key challenges facing local and national government: substantial budget cuts, combined with rising demands for key services; and difficulties in developing a funding regime that can command widespread support across councils, when there are systematic differences in preferences over issues such as the appropriate roles of redistribution and financial incentives.

Read the full report at: <https://www.ifs.org.uk/publications/9731>

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