

# Public Document Pack

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

**Date:** 07 February 2018



**Hinckley & Bosworth  
Borough Council**

**To: Members of the Audit Committee**

Mr RB Roberts (Chairman)  
Mrs R Camamile  
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, 15 FEBRUARY 2018 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 - 15 FEBRUARY 2018

### 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. EXTERNAL AUDIT PLAN 2017-2018 (Pages 3 - 34)  
Report of the external auditor.
7. ANNUAL CERTIFICATION REPORT 2016-17 (Pages 35 - 44)  
Report of the external auditor.
8. INTERNAL AUDIT REPORT - FINANCE CONTINUOUS AUDITING QUARTER 2  
(Pages 45 - 46)  
Report of the internal auditor.
9. INTERNAL AUDIT REPORT - COMPLAINTS PROCESS (Pages 47 - 62)  
Report of the internal auditor.
10. 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

30 NOVEMBER 2017 AT 6.30 PM

PRESENT: Mr RB Roberts - Chairman

Mr DC Bill MBE (for Mr KWP Lynch), Mr DS Cope, Mrs L Hodgkins, Mr DW MacDonald, Mr BE Sutton and Mr HG Williams

Officers in attendance: Ilyas Bham, Rebecca Owen and Jodie Stead (PWC). Avtar Sohal of Ernst & Young was also in attendance.

#### 232 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillor Lynch with the substitution of Councillor Bill authorised in accordance with council procedure rule 10.

#### 233 MINUTES OF PREVIOUS MEETING

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

RESOLVED – the minutes of the meeting held on 12 October 2017 be confirmed and signed by the chairman.

#### 234 DECLARATIONS OF INTEREST

No interests were declared at this stage.

#### 235 ANNUAL AUDIT LETTER

The external auditor presented the annual audit letter following completion of the audit procedures for the year ended 31 March 2017. It was moved by Councillor Williams, seconded by Councillor Hodgkins and

RESOLVED – the annual audit letter be approved.

#### 236 PROGRESS REPORT NOVEMBER 2017


The committee gave consideration to the internal audit progress report. Members expressed concern about cyber security given the high profile ransomware attacks on large organisations. It was felt that members should be offered training and support to assist them in protecting their own equipment which was used for council business.

(The Meeting closed at 6.46 pm)

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CHAIRMAN

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# **Hinckley & Bosworth Borough Council Audit planning report**

Year ended 31 March 2018

February 2018

**Private and Confidential**

31 January 2018



Members of the audit committee  
Hinckley & Bosworth District Council  
Hinckley Hub  
Rugby Road  
Hinckley  
LE10 0FR

Dear Board Members

**Audit planning report**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Board's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 15 February 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Stephen Clark

For and on behalf of Ernst & Young LLP

Enc

# Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Hinckley & Bosworth Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Hinckley & Bosworth Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, and management of Hinckley & Bosworth Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

# Overview of our 2017/18 audit strategy





# Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Significant risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Valuation of Land and Buildings	Inherent risk	No change in risk or focus	The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Pension Liability Valuation	Inherent risk	No change in risk or focus	The Council's pension fund deficit is a material estimated balance. At 31 March 2017 this totalled £34 million. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Earlier deadline for production of the financial statements	Inherent risk	N/A	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. These changes provide risks for both the preparers and the auditors of the financial statements

# Overview of our 2017/18 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Hinckley & Bosworth Borough Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

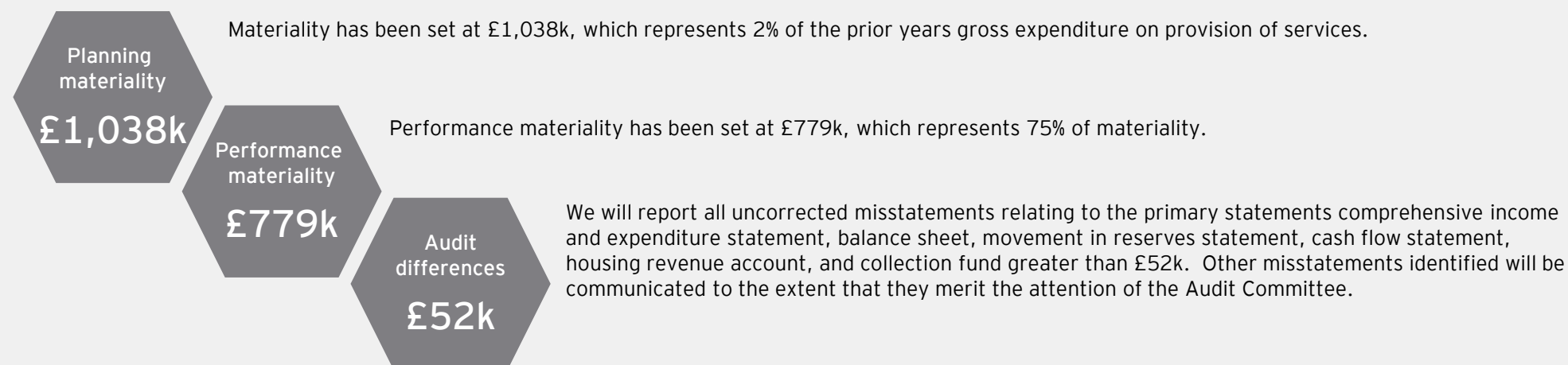
Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

Page 8 - Strategic, operational and financial risks relevant to the financial statements;  
Developments in financial reporting and auditing standards;  
The quality of systems and processes;  
Changes in the business and regulatory environment; and,  
Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

## Materiality





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02

## Audit risks







## Audit risks

### Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

#### Risk of fraud in revenue and expenditure recognition

#### Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. These accounts had the following balances in the 2016/17 financial statements:

- ▶ Other Income : £16m
- ▶ Other Expenditure: £8m

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The risks we have identified are most focused around those items of income and expenditure which are non-routine and involve more management estimation and judgment such as year-end income and expenditure accruals and provisions

#### What will we do?

We will:

- ▶ Test the valuation of accruals (income and expenditure) and testing provisions completeness and valuation at the year-end as these are the areas most susceptible to manipulation by management to achieve the desired expenditure levels;
- ▶ Test the completeness of liabilities and income and expenditure cut off to gain assurance that there has been no material amounts of expenditure omitted from the financial statements;
- ▶ Test the existence and valuation of debtors and accrued income; and
- ▶ Complete Journal entry testing within specific parameters

## Our response to significant risks (continued)

### Misstatements due to fraud or error

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

#### What will we do?

We will:

- ▶ Ensure that the calculation of the Capital Financing Requirement is compliant with the requirements of the Code. In addition ensure that the disclosure is internally consistent with the PPE and Intangible Assets;
- ▶ Check that MRP is appropriately calculated using the method outlined in the prudential code, with specific attention to any MRP on unsupported borrowing;
- ▶ Ensure that capitalised expenditure meets the criteria for this treatment;
- ▶ Ensure that REFCUS expenditure meets the broad principle of allowable expenditure, or is incurred under direction from the secretary of state;
- ▶ Obtain a schedule of movements on the HRA reserve, and agree consistency to other statements and disclosures;
- ▶ Review accounting policies, identifying whether consistent with prior year and the Code of practice;
- ▶ Review Movement in Reserves and Adjustment between accounting and funding basis and ensure that entries are both appropriate for the entity and consistent with elsewhere in the statements; and
- ▶ Complete journal entry testing within specific parameters

#### Financial statement impact

Misstatements that occur in relation to this risk may impact the following significant accounts:

- ▶ Movement in Reserves : £15m
- ▶ Property Plant & Equipment : £236m
- ▶ Other Expenditure : £8m
- ▶ Usable & Unusable Reserves : £121m
- ▶ Payables : £6m
- ▶ Receivables : £12m

Figures quoted above are from the 2016/17 financial statements

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Valuation of Land and Buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE;</li> <li>▶ Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;</li> <li>▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);</li> <li>▶ We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;</li> <li>▶ Consider changes to useful economic lives as a result of the most recent valuation; and</li> <li>▶ Test accounting entries have been correctly processed in the financial <b>statements</b></li> </ul>
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Leicestershire County Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £34 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>▶ Liaise with the auditors of Leicestershire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Hinckley &amp; Bosworth Borough Council;</li> <li>▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and</li> <li>▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19</li> </ul>



## Other areas of audit focus

### What is the risk/area of focus?

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers.

Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers and internal quality assurance arrangements.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable.

Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

### What will we do?

We will:

- ▶ Work with the Council to engage early to facilitate early substantive testing where appropriate;
- ▶ Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed;
- ▶ Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year;
- ▶ Work with the Council to implement EY Client Portal, this will:
  - ▶ Streamline our audit requests through a reduction of emails and improved means of communication;
  - ▶ Provide on -demand visibility into the status of audit requests and the overall audit status;
  - ▶ Reduce risk of duplicate requests; and
  - ▶ Provide better security of sensitive data.
- ▶ Agree the team and timing of each element of our work with you; and
- ▶ Agree the supporting working papers that we require to complete our audit.



03

## Value for Money Risks





# Value for Money

## Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

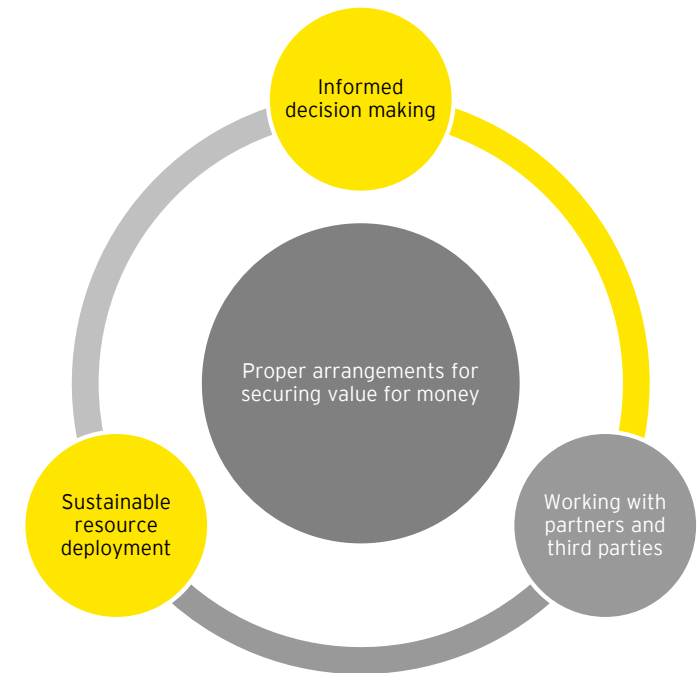
When considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.







# Value for Money Risks

### What is the significant value for money risk?

The Council's Medium Term Financial Strategy (MTFS) for the period 2017/18 to 2020/21, shows that there is a gap between funding and expenditure. The MTFS shows that the council will need to use reserves to meet its planned expenditure

This therefore presents a significant risk to our Value for Money conclusion in terms of 'sustainable resource deployment - Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions'.

### What arrangements does the risk affect?

Deploy resources in a sustainable manner

### What will we do?

We will:

- ▶ Monitor the financial position for the remainder of 2017/18, including delivery of savings;
- ▶ Review the arrangements that the Council has put in place for identifying medium term savings requirement and development of its Efficiency plan / MTFS;
- ▶ Obtain supporting information in respect of the key savings projection; and
- ▶ Evaluate the impact of any audit findings on the reported financial position.



04

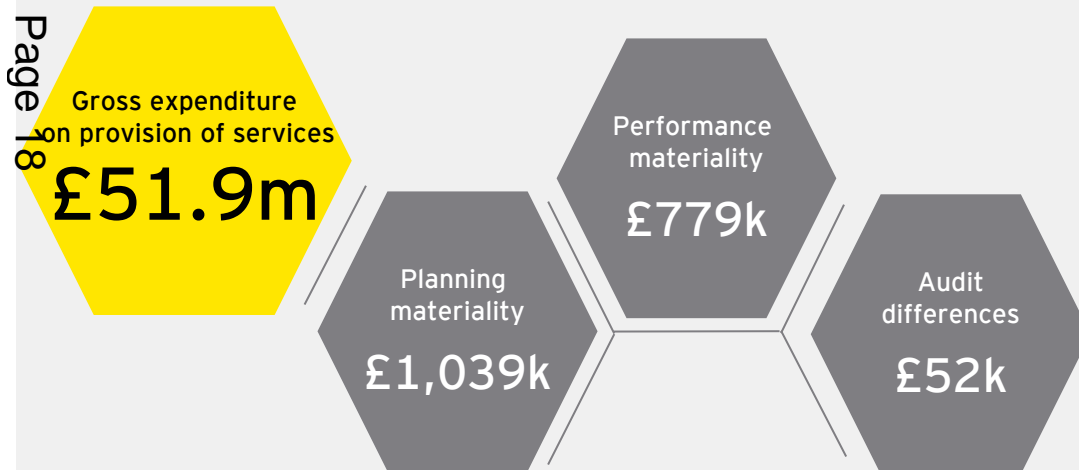
## Audit materiality



## Materiality

### Materiality

For planning purposes, materiality for 2017/18 has been set at £1,309k. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. It is set at 2% as this is a public entity which operates in an environment where profit is not a motive. It is a mature entity and is subject to a high level of control over how it operates (from Central Government).



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

### Key definitions

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £779k which represents 75% of planning materiality.

**Audit difference threshold** - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

**Specific materiality** - We have set a materiality of £1k for remuneration disclosures, related party transactions, members' allowances and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.





05

## Scope of our audit



## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

#### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

- ▶ We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:
  - ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
  - ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.





06

## Audit team





## Audit team

The engagement team is led by Stephen Clark, who has significant experience on Hinckley & Bosworth Borough Council. Stephen is supported by Vishal Savjani who is responsible for the day-to-day direction of audit work and is the key point of contact for the Head of Finance.

## Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations team
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





07

## Audit timeline







## Audit timeline

# Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	November	February 2018	Audit Planning Report
Walkthrough of key systems and processes.	March		
Interim audit testing			
Year end audit	June		
Audit Completion procedures	July	July 2018	Audit Results Report
Conclusion of reporting		September 2018	Audit opinions and completion certificates Annual Audit Letter
Housing benefit Subsidy claim	August / September		
Reporting on certification work		February 2019	Annual Certification Report



# 08

## Appendices





## Appendix A

### Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee - Code work	<b>49,410</b>	49,410	49,410
Total audit	<b>49,410</b>	49,410	49,410
Housing Benefits Subsidy Claim	14,850	14,850	14,498
Capital Pooling Claim	0	0	2,000
Total other non-audit services	14,850	14,850	16,498
Total fees	64,260	64,260	65,908

*All fees exclude VAT*

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.




If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.




## Appendix B

# Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.





		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report February 2018
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report July 2018

## Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report July 2018
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report July 2018
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit results report July 2018
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report July 2018

## Appendix B




# Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Planning Report February 2018  Audit Results Report July 2018







## Appendix B

# Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report July 2018
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of</li> </ul>	Audit Results Report July 2018
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report July 2018

## Appendix B

# Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report July 2018
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report July 2018
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit planning report February 2018  Audit results report July 2018
Certification work	Summary of certification work undertaken	Certification report February 2019

## Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

#### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.



## Appendix C

# Additional audit information (continued)

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.



## **Certification of claims and returns annual report 2016-17**

Hinckley and Bosworth Borough Council

February 2018

Ernst & Young LLP



Building a better  
working world

The Audit Committee  
Hinckley and Bosworth Borough Council  
Hinckley Hub,  
Rugby Rd,  
Hinckley  
LE10 0FR

1 February 2018  
Ref: NWBC/SC/VS

Direct line: + 44 20 7951 2000  
Email: [sclark3@uk.ey.com](mailto:sclark3@uk.ey.com)

Dear Members

## **Certification of claims and returns annual report 2016-17 Hinckley and Bosworth Borough Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Hinckley and Bosworth Borough Council's 2016-17 Housing Benefit subsidy claim.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

In addition to this, we also acted as reporting accountants in relation to the Pooling of Housing Capital Receipts return outside the PSAA's regime.

### **Summary**

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £17,964,058. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1.

We provided separate reports to the Council in relation to the Pooling of Housing Capital Receipts returns with a total value of £2,412,670. There were no significant issues identified as part of this work.

The fee for our certification work is summarised in section 2. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee.

Yours faithfully

**Stephen Clark**  
Partner  
Ernst & Young LLP  
Enc

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1. Housing benefits subsidy claim .....1

2. Other assurance work.....2

3. 2016-17 certification fees .....3

4. Looking forward .....4



## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£17,964,058
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2016-17	£14,498

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous year's claims. We found errors and carried out extended testing in several areas.

We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. The main issues reported in the qualification are as follows:

- Incorrect Application of tax credits on one rent allowance case which meant earnings were incorrectly calculated which led to an overpayment of benefit expenditure. The results of the initial testing and further 40+ testing resulted in an overall extrapolated overpayment error of £811.
- Incorrect Earnings used in an income assessment for one rent allowance case which meant earnings were incorrectly calculated which led to an overpayment of benefit expenditure. The results of the initial testing and further 40+ testing resulted in an overall extrapolated overpayment error of £9,421.
- Incorrect application of Non Dependent Deductions for rent allowance cases. We were able to test all cases and found that the expenditure was overstated by £185.

The errors reported in the qualification letter are similar to findings from the prior year.

## 2. Other assurance work

During 2016-17 we also acted as reporting accountants in relation to:

- ▶ Housing pooling return.

We have provided a separate report to the Council in relation to the return. This work has been undertaken outside the PSAA regime. The fee for this is included in the figures in Section 3. They are referred to here to ensure to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

We did not identify any significant issues from this work that need to be brought to the attention of Members.

### 3. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2016-17	2016-17
	Actual fee £	Indicative fee £
Housing benefits subsidy claim	14,498	14,498
Pooling of housing capital receipts	2,000	2,000



## 4. Looking forward

### 2017/18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £14,850. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

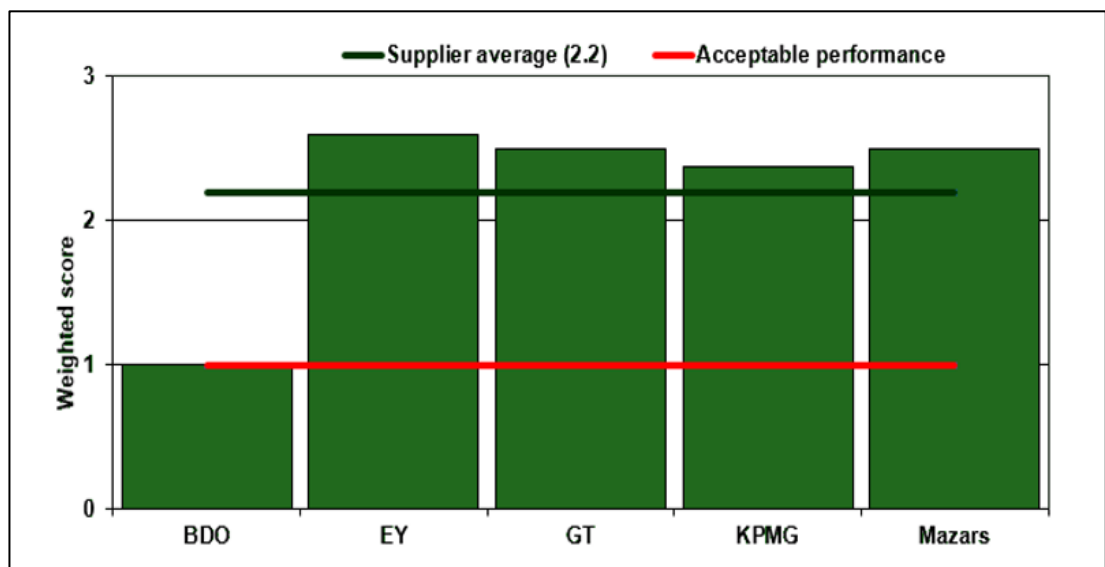
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Finance before seeking any such variation.

### 2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we have been appointed by PSAA in December 2017 as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

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# Hinckley and Bosworth Borough Council – finance continuous auditing

January 2018

## Quarter 2 control testing results

Key Controls	Control description	Tested	Q1	Q2	Q3	Q4	Control design issues identified	Operating effectiveness issues identified
<b>Changes to Suppliers</b>	A report is generated before the payment run which outlines all of the changes made in supplier details. The report is then reviewed.	5 weekly reports					None identified	None identified
<b>Bank Reconciliations</b>	A reconciliation is performed which reconciles the external bank account to the general ledger system.	2 months from Q2					None identified	None identified
<b>Payroll Reconciliations</b>	A reconciliation is performed which reconciles the general ledger system to the payroll system.	2 months from Q2					None identified	Non identified
<b>Council Tax Reconciliations</b>	A reconciliation is performed which reconciles the general ledger system to the Council Tax system and cashbook.	2 months from Q2					None identified	None identified
<b>NNDR Reconciliations</b>	A reconciliation is performed which reconciles the general ledger system to the NNDR system and cashbook.	2 months from Q2					None identified	None identified
<b>Housing Rent Reconciliations</b>	A reconciliation is performed which reconciles the general ledger system to the housing rent system and cashbook.	2 months from Q2					None identified	None identified
<b>Creditors Reconciliations</b>	A reconciliation is performed which reconciles the general ledger system to the creditors sub ledger.	2 months from Q2					None identified	None identified
<b>Debtors Reconciliations</b>	A reconciliation is performed which reconciles the general ledger system to the debtors sub ledger.	2 months from Q2					None identified	None identified
<b>Reconciliation sign off</b>	A log of all reconciliations performed in the month is signed off by the Finance Manager	2 months from Q2					None identified	There are discrepancies between the dates recorded on the reconciliation sign off sheet and the actual reconciliations reviewed.
<b>Invoice Payment</b>	We have performed data analysis to consider where invoices have been raised without an associated purchase order. See insight report below.	All invoices paid in Q2						

\* Date of review taken from reconciliation sign off sheet to confirm timelines.

Continuous auditing performed in line with the Terms of Reference agreed with the Section 151 Officer in July 2017.

Key	
<b>Purple</b>	No issues identified
<b>Green</b>	Minor issues identified
<b>Amber</b>	Some issues identified
<b>Red</b>	Significant issues identified

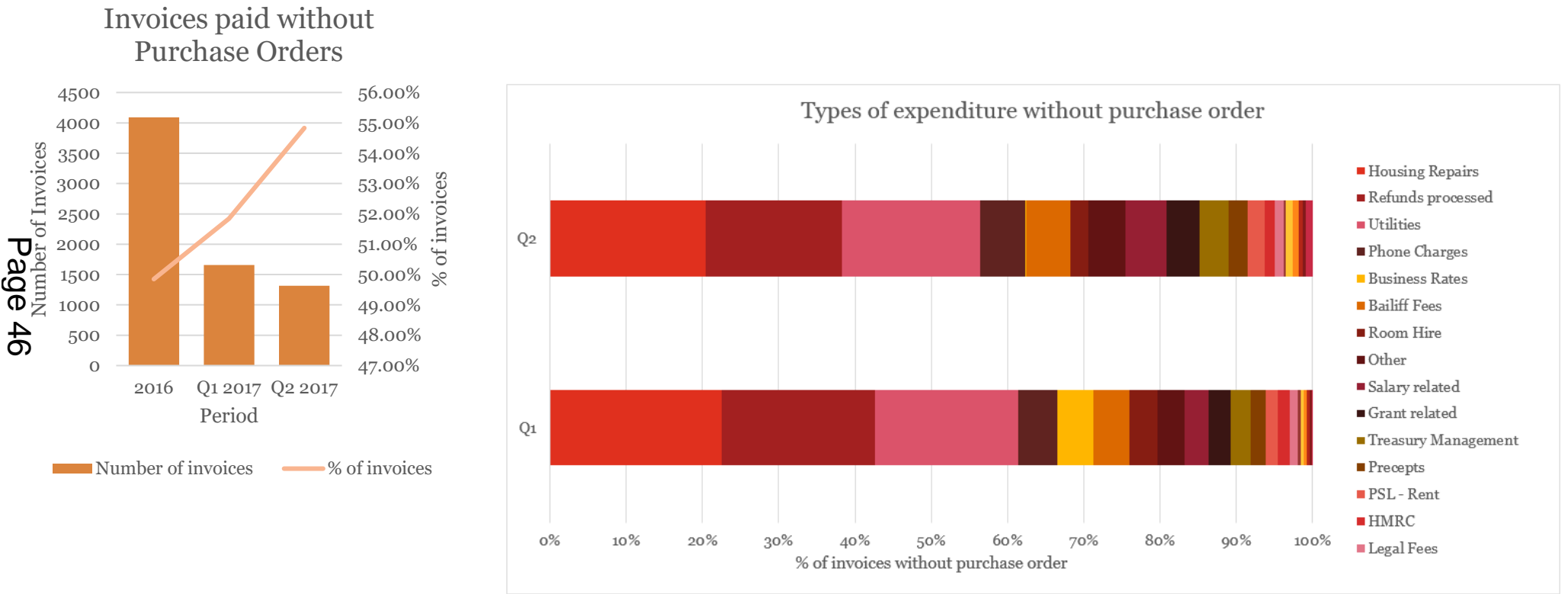


# Hinckley and Bosworth Borough Council – finance continuous auditing

Insight report

January 2018

Our prior year finance internal audit report reported from our data analysis that a significant number of invoices were paid without having a purchase order recorded against them. We reported in our last finance continuous auditing report that we were working with officers to review the reporting functionality in order to monitor this on an ongoing basis. We have now obtained the relevant information and have continued to monitor the number of transactions paid without a purchase order, which has identified the following for Q1 and Q2.



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# *Internal Audit Report 2017/2018*

## Complaints Process

**Hinckley & Bosworth  
Borough Council**

December 2017

Click to launch

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# Contents

## Executive summary

1



## Current year findings

2



## Appendices

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- Basis of our classifications
- Terms of reference
- Limitations and responsibilities

## Distribution list

For action: Julie Kenny - Director, Corporate Services  
Rebecca Owen - Democratic Services Officer

For information: Audit Committee

# Executive summary (1 of 2)

## Report classification



**Low Risk**  
(No findings identified)

## Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	-	-	-
Operating effectiveness	-	-	-	-	-
Total	-	-	-	-	-



## Executive summary (2 of 2)



### Headlines/summary of findings

Hinckley & Bosworth Borough Council has in place a Complaint Policy and Procedure which set out the details of the process for responding to complaints. The latest version is available to all staff and the public to keep them updated with the process should they wish to submit a complaint.

The Council has a two-stage complaints procedure which deals with any complaints which are made, the details of which are provided on the next page. From the testing we performed, we did not identify any issues in either the stage one or stage two process and the results show that the defined complaints process is being adhered to.

A report is issued annually to the Ethical Governance & Personnel Committee to communicate the number of complaints made and actions taken.

We identified that there have been 113 complaints made since April 2017, of which 15 went to stage 2.

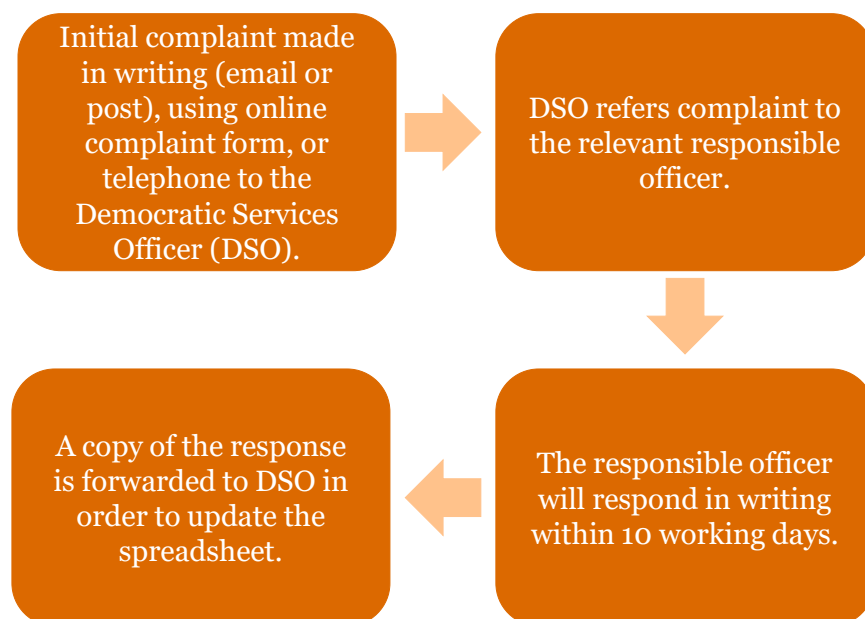
All complaints should be forwarded onto the Democratic Services Officer and logged on the team spreadsheet to ensure that they are followed up appropriately. However, there is an inherent risk around the completeness of the spreadsheet as it is reliant on individual service lines sharing complaints received directly to them. 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 process is clear, is well communicated and the reporting undertaken would identify any trends around the level of complaints received.

The overall outcome is a low risk report since no issues were identified. We would like to thank all the staff involved for their support in completing this internal audit review.

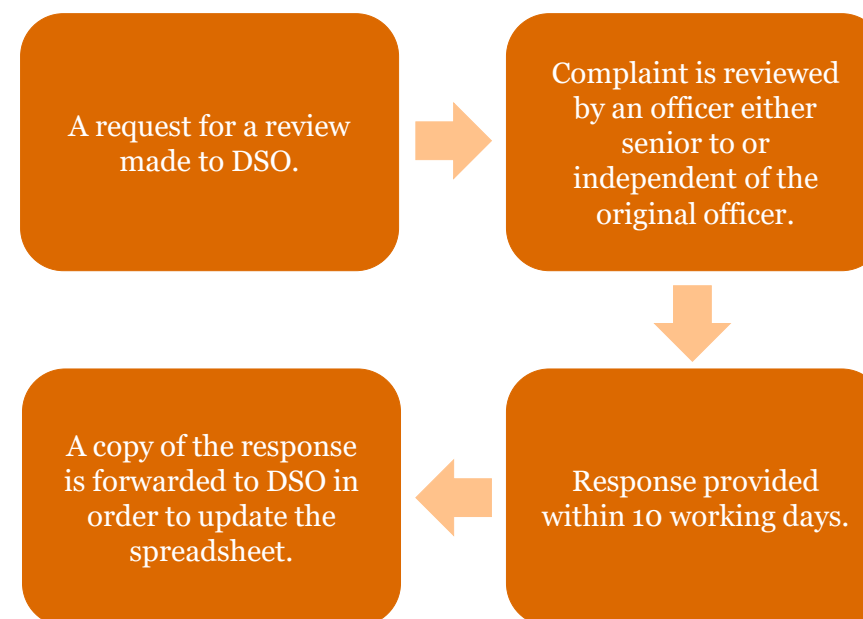
## Current year findings

Below is a high level summary of the complaints process in place at the Council:

### Stage 1:



### Stage 2:



### General observation

Overall, the Council has in place a very robust process for responding to complaints. Our testing shows that the responses are dealt with on a timely basis and in line with the Council's Complaints Policy.

There are 113 complaints made in the year so far and only 15 of them have gone to Stage 2. All complaints are recorded by the Democratic Services Officer as they are received, including details of who is responsible for monitoring the response time.

### Potential risk

The spreadsheet used to record the details of the complaints is manually edited and monitored by the Democratic Services Officer (DSO) and a colleague. There is a potential risk around the completeness of the spreadsheet. However, since the DSO does not directly deal with the complaints, we are confident that there are adequate segregation of duties in place. Therefore, the risk of overriding is very low and this is not considered to be an issue.

**Appendix A: Basis of our  
classifications**

**Appendix B: Terms of  
reference**

**Appendix C: Limitations  
and responsibilities**

---

# *Appendices*

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# 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
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Option A	Points
	Low risk	6 points or less
	Medium risk	7 – 15 points
	High risk	16 – 39 points
	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

The Council has in place a process for responding to complaints received from residents and members of the public based on a two stage approach. This is overseen by the Democratic Services Officer. The first stage involves the line manager responsible for the service providing a written response within ten working days, or to inform of how long until a reply can be expected. If residents are not happy with the way the complaint has been handled they can request that it is reviewed and this prompts the second stage. Stage two involves the original response being reviewed by someone more senior or independent from the original response.

There are no specific areas of concern and the review will consider the existing process in place to provide assurance that the process is operating as designed and supports the Council with an effective system of governance and control.

# 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 audit fieldwork.

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

Sub-process	Risks	Objectives
Policy and procedures	There is no consistent process applied to the complaints process	<ul style="list-style-type: none"> <li>There is an up to date complaints policy which is available for staff and the general public to understand the process</li> </ul>
Complaints process	Complaints are not responded to appropriately and in line with the defined process	<ul style="list-style-type: none"> <li>The defined complaints process is adhered to where a complaint is made</li> <li>The complaints process is undertaken on a timely basis to ensure residents receive a timely response</li> </ul>
Reporting	Senior officers and members within the Council are not sufficiently informed about the current status	<ul style="list-style-type: none"> <li>Senior officers and members receive communication regarding the level of complaints and actions taken to address any lessons learnt going forward</li> </ul>



## 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. Where circumstances change the review outputs may no longer be applicable.

### 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
Yuki Cheung	Internal Audit Team Member	cheung.yuki@pwc.com

## Key contacts – Hinckley and Bosworth Borough Council

Name	Title
Ashley Wilson	Section 151 Officer
Julie Kenny	Director – Corporate Services
Rebecca Owen	Democratic services officer

# Timetable and information request



## Timetable

Fieldwork start	14 November 2017
Fieldwork completed	17 November 2017
Draft report to client	8 December 2017
Response from client	15 December 2017
Final report to client	22 December 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

Access to a listing of all complaints made since April 2017

Access to working papers and files supporting the process undertaken for complaints made in our sample

## 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.

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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.

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