

Public Document Pack

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

Date: 04 April 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, 12 APRIL 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 - 12 APRIL 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. AUDIT COMMITTEE BRIEFING (Pages 3 - 14)
Briefing for Audit Committee from the external auditor.
7. FINANCE CONTINUOUS AUDITING Q3 (Pages 15 - 16)
8. INTERNAL AUDIT REPORT - HOUSING REPAIRS (Pages 17 - 36)
9. INTERNAL AUDIT REPORT - ENVIRONMENTAL HEALTH (PEST CONTROL) (Pages 37 - 54)
10. INTERNAL AUDIT REPORT - MANAGEMENT OF S106 AGREEMENTS (Pages 55 - 78)
11. AUDIT PROGRESS REPORT (Pages 79 - 94)
Report of the internal auditor.
12. INTERNAL AUDIT TENDER (Verbal Report)
Members will receive a verbal update on progress of the tender process for a new internal auditor.
13. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY
As announced under item 3 above.

Agenda Item 2

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

AUDIT COMMITTEE

15 FEBRUARY 2018 AT 6.30 PM

PRESENT: Mr RB Roberts - Chairman

Mrs L Hodgkins, Mr MR Lay, Mr KWP Lynch, Mr BE Sutton and Mr HG Williams

Officers in attendance: Rebecca Owen, Jodie Stead (PWC) and Ashley Wilson

344 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillor Camamile, Cope, MacDonald, Taylor and Wright.

345 MINUTES OF PREVIOUS MEETING

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

RESOLVED – the minutes of the meeting held on 30 November 2017 be confirmed and signed by the chairman.

346 DECLARATIONS OF INTEREST

No interests were declared at this stage.

347 INTERNAL AUDIT REPORT - FINANCE CONTINUOUS AUDITING QUARTER 2

Members received the quarter 2 finance continuous auditing results. It was noted that one minor issue had been identified on the reconciliation sign off sheet in relation to dates but it was not a cause for concern.

In relation to the number of payments without purchase orders, a member expressed concern that this was still high. In response it was explained that, when interrogated, many related to items for which it wouldn't be expedient to raise a purchase order, for example utilities, business rates, HMRC, housing repairs, grants and salaries. A member requested that a report be brought to a future meeting on invoices paid without purchase orders.

RESOLVED – the report be noted and a report be brought to a future meeting on raising of purchase orders.

348 INTERNAL AUDIT REPORT - COMPLAINTS PROCESS

The committee gave consideration to an internal audit report on the corporate complaints process. It was noted that there were no recommendations arising and the processes were robust.

RESOLVED – the report be noted.

349 EXTERNAL AUDIT PLAN 2017-2018

The external audit planning report was presented to members. It was noted that the accounts would be brought to the July meeting of the committee.

RESOLVED – the report be noted.

350 ANNUAL CERTIFICATION REPORT 2016-17

The external audit annual report on certification of claims and returns 2016-17 was received by the committee. It was noted that some minor errors had been found in the 40 item testing but that the external auditors had no concerns and had signed off the report.

RESOLVED – the report be noted.

(The Meeting closed at 6.48 pm)

CHAIRMAN


Local Government Audit Committee Briefing





Contents at a glance





This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.



Government and economic news

Will the UK economy hold up as Brexit nears?

The latest forecast from the EY Item Club highlights that UK GDP growth in 2017 was 1.8%, which was better than expected. However, it does compare unfavourably with 2017 GDP growth of 2.5% for the Eurozone, 2.3% for the US and an estimated 3.0% globally.

The momentum from 2017, an improving outlook for consumer spending, and the increased likelihood of a near-term Brexit transition arrangements are expected to support UK growth this year. With this, we have nudged up our UK GDP forecast for 2018 to 1.7%, up from the 1.4% we predicted in our Autumn forecast in October last year.

However, further out, the UK's limited productivity performance and ongoing Brexit and political uncertainties will see the UK achieve only mid-range growth. With this, we have slightly reduced our GDP growth projections for 2019 to 1.7% (down from 1.8%), 1.9% for 2020 (down from 2.0%), and 2.0% for 2021 (down from 2.2%). Although we have modestly downgraded our expectation of the UK's productivity performance, it remains more optimistic than the Office for Budget Responsibility's latest forecast. Specifically, we forecast output per hour to rise 0.9% in 2018 and then 1.3% annually during 2019-2021.

Much depends on how the Brexit negotiations develop.

The expectation is that the UK and EU will make sufficient progress to agree a transition arrangement lasting at least two years, from late March 2019. Since this will have to be ratified across the EU, agreement essentially needs to be reached by October 2018. Progress towards a transition deal in late 2018 should support business confidence and a gradual pick-up in investment, helping GDP growth accelerate.

Provisional 2018-19 Local Government Finance Settlement

On 19th December 2017 the Government set out the provisional funding plan for the 2018-19 financial year, which will be the third year of the four year multi-year settlement that was accepted by 97% of local authorities. The main themes of the provisional settlement were:

Council tax referendum principles – as a result of the financial settlement consultation process the government has decided to set the core referendum principle at 3% in 2018-19 and 2019-20, to match the higher than expected inflation. This change will give local authorities more flexibility in deciding how money will be raised to offset the increasing financial pressures and demand on services. Shire district councils will be allowed an increase of 3% or £5 whichever is higher.

Continuation of the adult social care precept principle of a 2% increase, with the additional flexibility in 2018-19 to increase the precept by an additional 1%, from 2% to 3%, provided that the total increase across the three years 2017-18 to 2019-20 does not exceed 6%.

Analysis by the Local Government Association has estimated that the impact of increased flexibility in council tax precepts could be worth up to £540mn to local authorities by 2019-20. However local services are facing a total funding gap of £5.8bn in 2019-20. Therefore, the increased powers to raise council tax are not sufficient to meet the future funding gap.

Business rate retention – the Government's continued intention to reform local government financing in the future by allowing authorities to retain a greater percentage of business rates instead of receiving certain grants (including RSG, public health grant) direct from central government. By 2020-21 it is estimated that the business rate retention across the local government system would be 75%, compared to the current level of 50% retention. It was also announced that the 100% business rates retention pilot schemes were going to be expanded to include a further 10 local authorities.

New homes bonus – since inception the new home bonus has allocated £7bn to local authorities to encourage the building of over 1.2 million new homes. The Government has decided to continue to set the national baseline (below which no bonus will be paid) at 0.4% for 2018/19. The national baseline represents the annual growth of Band D properties within a local authority above which the new homes bonus will be awarded. Government retained the option to adjust the baseline in future years based on housing statistics as reported through council tax base figures. This stability will provide some security for district authorities who have based their growth strategy on the New Homes Bonus.

Carillion liquidation

Major public sector building and support services contractor Carillion plc went into compulsory liquidation on 15 January 2018. Carillion's sudden collapse is being felt across the country as a range of public services, from road building to school meals, have been unexpectedly terminated in a number of local authorities.

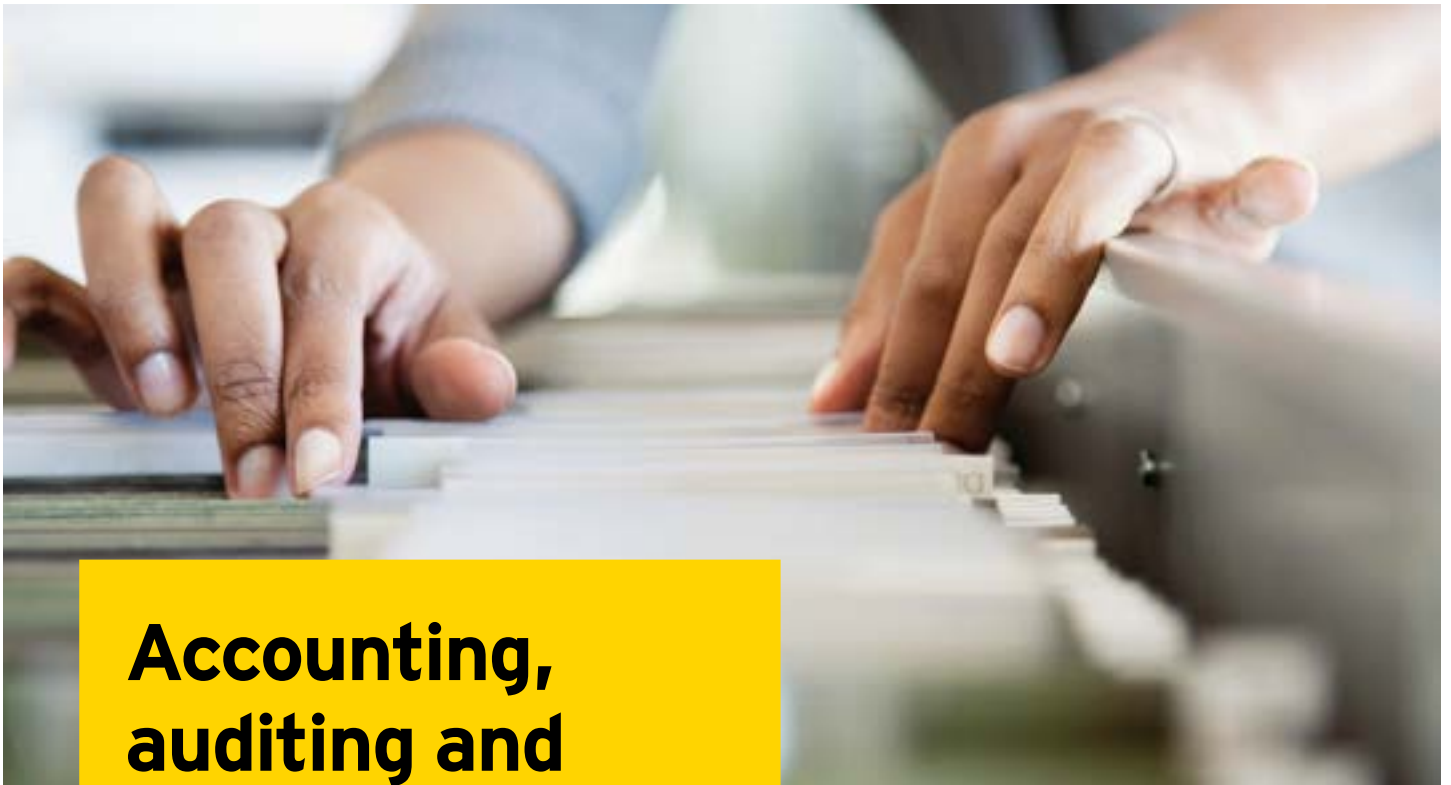
The full extent of the affected services is yet to be determined as local authorities discuss existing contracts with the Official Receiver. Local authorities are implementing contingency plans where possible, including either finding alternative contractors or taking services back in house. For example the response from Oxfordshire County Council in relation to the provision of school meals at 90 schools supplied by Carillion was to guarantee Carillion staff who worked in schools that the county council would ensure that they were paid.

Although the Government has pledged that public services 'will be protected' after Carillion's collapse, it is unclear how or when funding from central Government will be made available to the affected local authorities.

Public sector pay

Since 2013, the Government has implemented a policy of a 1% annual pay increase cap for public sector workers; which was estimated to have saved approximately £5bn by 2019-20. In the Autumn Budget 2017 the Government confirmed the end of the 1% pay increase policy. Therefore from 2018-19, pay review bodies will be able to award pay increases of greater than 1% as they determine to be appropriate. After the long freeze in real terms of public sector pay future increases above 1% have been welcomed; and it is thought that this has been needed to retain talent within the public domain. However, this will be an additional cost pressure for local authorities that will require financing.

The national employers, who negotiate pay on behalf of 350 local authorities, suggested that most employees with salaries over £19,430 should receive a 2% increase for 2018-19 and a further 2% for 2019-20. Lower salaried workers will receive higher increases based on hourly pay; from £7.78 to £9.00 in April 2019 and increase equivalent to 15.65%. National employers have said this would add another 5.6% to the national pay bill over the two years to 2020.



Accounting, auditing and governance

IFRS 15 – revenue from contracts with customers

The new revenue standard, IFRS 15, creates a single source of revenue requirements for all entities in all industries and is a significant departure from legacy IFRS. The new standard applies to revenue from contracts with customers and replaces all of the legacy revenue standards and interpretations in IFRS, including IAS 11 Construction Contracts and IAS 18 Revenue.

IFRS 15 is principles-based but provides more application guidance and increased judgement. IFRS 15 also specifies the accounting treatment for certain items not typically thought of as revenue, such as certain costs associated with obtaining and fulfilling a contract and the sale of certain non-financial assets. The new standard will have little effect on some entities, but will require significant changes for others.

The standard describes the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services.

The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance

Entities will need to exercise judgement when considering the terms of the contract(s) and all of the facts and circumstances, including implied contract terms. Entities will also have to apply the requirements of the standard consistently to contracts with similar characteristics and in similar circumstances.

The 2018/19 Code of practice on Local Authority Accounting in the United Kingdom (the Code) will determine how IFRS 15 revenue from customers with contracts will be adopted by local government bodies. The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018 but has not yet been published. The CIPFA/LASAAC Local Authority Accounting Code

Board met on 6 June 2017 and discussed the implication of IFRS 15 on Local Government entities. The minutes of this meeting corroborate our view that for most entities income streams from contracts with customers are likely to be immaterial. The vast majority of income streams are taxation or grant based which do not fall within the scope of IFRS 15 as they are not contractually based revenue from customers.

However, this may not always be the case for some smaller English authorities or authorities where there is a high public interest in commercial activities. The following income streams are within the scope of IFRS 15 and will need special consideration if they are material to the users of the financial statements:

- ▶ Fees and charges for services under statutory requirements
- ▶ Sale of goods provided by the authority
- ▶ Charges for services provided by a local authority

EY – CIPFA Accounts Closedown Workshop 2017-18

EY and CIPFA Financial Advisory Network (FAN) are continuing to work in partnership to deliver a programme of accounts closedown workshops to support local government finance professionals across the country with separate events for police bodies and English, Welsh and Scottish local authorities. The workshop programme covers the key changes impacting on the production of the 2017/18 financial statements and the outcomes of the 'telling the story' changes to the Code of Practice on Local Authority Accounting in 2016/17. Looking forward there are significant changes to IFRS that will come through in the 2018/19 Code and later, so the workshops are also focused on the key risks in relation to the new Financial Instruments standard IFRS 9 and other future expected changes in the Code with potential to impact on the General Fund and the HRA. These workshops also aim to prepare local authority finance staff for a 'faster, smarter and more accurate' accounts closedown for 2017-18.

By the end of this May, your local authority will need to publish its unaudited statement of accounts and publish audited accounts by the end of July. These changes provide risks for

both the preparers and the auditors of the financial statements. Local Authorities will now have less time to prepare the financial statements and supporting working papers. 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. Failure to meet a deadline 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 staff to be available throughout the agreed audit period
- ▶ Complete and prompt responses to audit questions

If your authority is 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.

Of the 150 authorities we audit, we currently consider that around a quarter have left themselves a significant amount of work to do to get there and are running a real risk of missing the deadline because they will not have quality draft accounts and supporting evidence ready for their auditors by the end of May.

In addition to our workshops with CIPFA, we have held events in each of our local offices and gathered insights from over 100 practitioners and their local audit teams on the importance of what finance teams and auditors each need to do, and collaboratively, to achieve a successful faster closure. We have put together a comprehensive list of actions to streamline processes, work more collaboratively with their auditors and draw on EY's analytics and innovative audit approach to achieve faster close. We include a summary below.

Summary of faster close activities

Finance teams are:

- ▶ Critically appraising the content of their accounts, removing unnecessary disclosures
- ▶ Closing the ledger earlier and encouraging greater discipline across the authority to comply with deadlines for accruals
- ▶ Preparing discrete sections of the accounts (e.g., narrative report and remuneration notes) and associated working papers earlier to facilitate early audit work
- ▶ Focusing on judgements and significant estimates earlier including engagement with auditors
- ▶ Reviewing the de-minimis level for accruals, including discussion with auditors
- ▶ Conducting a hard close for monthly reconciliations e.g., bank reconciliations, feeder systems, etc., with a zero-tolerance to reconciling items over a month old
- ▶ Undertaking weekly cut-off testing in April to ensure that the accounts are complete, retaining the evidence in case that item is selected for audit testing

Auditors are:

- ▶ Meeting regularly with finance staff, sharing details of the audit approach, agreeing a planned timetable of tasks, communicating changes and providing clarity on what is expected and when

- ▶ Bringing forward testing to reduce the amount needed to do in the summer. In particular, valuation of land and building and other high risk areas
- ▶ Increasing the use of analytics to interrogate ledger and payroll transaction data
- ▶ Using the online EY client portal to streamline communications with finance teams
- ▶ Attending workshops with finance teams on accounting issues and effective working papers
- ▶ Selecting items for sample testing earlier

Together finance teams and auditors are:

- ▶ Holding regular meetings throughout the year to share progress and discuss issues
- ▶ Planning respective activities to ensure sufficient capacity on both sides
- ▶ Revisiting audit issues from the prior year, agreeing how similar issues can be avoided
- ▶ Ensuring the client assistance schedule is appropriately tailored

We have produced a faster close briefing checklist that you can use to ensure that you are doing all you can, alongside working with us, to achieve the accelerated timetable. For more information please contact your local engagement lead.



Regulation news

EU General Data Protection Regulation: are you ready?

On 17 December 2015, after more than three years of negotiations and several draft versions of the General Data Protection Regulation (GDPR), an informal agreement was reached between the European Parliament and Council of the European Union. The GDPR is a significant change for organisations. It introduces more stringent and prescriptive data protection compliance challenges, backed by fines of up to 4% of global annual revenue. The regulation replaces Directive 95/46/EC, which has been the basis of European data protection law since it was introduced in 1995.

The Regulation has a significant impact on organisations in all sectors, bringing with it both positive and negative changes in terms of cost and effort.

Key changes proposed by the EU GDPR include:

- ▶ Regulators can impose fines of up to 4% of total annual worldwide turnover or €20,000,000
- ▶ Data Protection Officers (DPOs) – DPOs must be appointed if an organisation conducts large scale systematic monitoring or processes large amounts of sensitive personal data
- ▶ Accountability – organisations must prove they are accountable by establishing a culture of monitoring data processing procedures, minimising data retention and building safeguards, and documenting data processing procedures
- ▶ Organisations must undertake Privacy Impact Assessments when conducting risky or large scale processing of personal data

- ▶ Consent to process data must be freely given, explicit and individuals must be informed of their right to withdraw their consent
- ▶ Organisations must notify supervisory authorities of data breaches 'without undue delay' or within 72 hours, unless the breach is unlikely to be a risk to individuals
- ▶ Introduction of new rights – right to be forgotten, right to data portability and right to object to profiling
- ▶ Organisations should design data protection into the development of business processes and new systems and privacy setting should be set a high level by default
- ▶ Data processors become an officially regulated entity

Whilst organisations may welcome the harmonisation of laws across the 28 EU member states which will make the complex data protection landscape easier to navigate, the introductions of new rights for individuals are likely to increase the regulatory burden for organisations.

Organisations need to review their current data protection compliance programmes to determine next steps and decide on the level of investment they need to make before 2018 to address the changes.

Organisations need to act now to ensure that they are ready to comply with the new Regulation when it comes into force on 25 May 2018.

Key questions for the Audit Committee

Has your local Authority considered the changes to council tax flexibilities into the 2018-19 budget And the impact of changes to business rate retention into your Medium Term Financial Strategy?

Has your local authority been affected by the collapse of Carillion plc? How have contingency plans been implemented to maintain public services? What (if any) is the local authority's financial exposure to this event?

Has your local authority included in its budget any likely increases of employee wages above 1%?

Has your Authority considered how IFRS 15 might impact your revenue streams?

How has the local authority prepared for the accelerated accounts closedown timetable for 2017-18?

Has the Authority considered the implications of the new GDPR, and is the Authority confident that it comply with its requirements when it comes into force?

Find out more

EY ITEM Club Forecast

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

2018-19 Local Government Finance Settlement

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/669538/LGFS_consultation_2018-19.pdf

<https://www.local.gov.uk/parliament/briefings-and-responses/provisional-local-government-finance-settlement-201819-day>

<http://www.cipfa.org/about-cipfa/press-office/archived-press-releases/2017-press-releases/cipfa-responds-to-the-provisional-local-government-finance-settlement?crdm=0>

Carillion collapse

<http://www.publicfinance.co.uk/news/2018/01/public-sector-looks-ways-plug-gap-left-carillion>

<http://www.publicfinance.co.uk/news/2018/01/public-services-will-be-protected-after-carillion-collapse>

Public sector pay

<http://researchbriefings.files.parliament.uk/documents/CBP-8037/CBP-8037.pdf>

<http://www.publicfinance.co.uk/news/2017/12/local-employers-issue-2-pay-offer-each-next-two-years>

IFRS 15 – revenue from contracts with customers

[http://www.ey.com/Publication/vwLUAssets/ey-applying-revenue-october-2017/\\$FILE/ey-applying-revenue-october-2017.pdf](http://www.ey.com/Publication/vwLUAssets/ey-applying-revenue-october-2017/$FILE/ey-applying-revenue-october-2017.pdf)

EY – CIPFA Accounts Closedown Workshop 2017-18

For Faster Close Activities Checklist: please contact your local engagement lead

For a full list of locations and dates available search for 'Accounts Closedown Workshop' at <http://www.cipfa.org/training>



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ED None

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










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Hinckley and Bosworth Borough Council – finance continuous auditing

Quarter 3 control testing results

March 2018

Key Controls	Control description	Tested	Q1	Q2	Q3	Q4	Control design issues identified	Operating effectiveness issues identified	
Changes to Suppliers	A report is generated before the payment run which outlines all of the changes made in supplier details. The report is then reviewed.	4 weekly reports	 				None identified	None identified	
Bank Reconciliations	A reconciliation is performed which reconciles the external bank account to the general ledger system.	2 months from Q3					None identified	None identified	
Payroll Reconciliations	A reconciliation is performed which reconciles the general ledger system to the payroll system.	2 months from Q3	 				None identified	Non identified	
Council Tax Reconciliations	A reconciliation is performed which reconciles the general ledger system to the Council Tax system and cashbook.	2 months from Q3					None identified	None identified	
NNDR Reconciliations	A reconciliation is performed which reconciles the general ledger system to the NNDR system and cashbook.	2 months from Q3					None identified	None identified	
Housing Rent Reconciliations	A reconciliation is performed which reconciles the general ledger system to the housing rent system and cashbook.	2 months from Q3					None identified	None identified	
Creditors Reconciliations	A reconciliation is performed which reconciles the general ledger system to the creditors sub ledger.	2 months from Q3					None identified	None identified	
Debtors Reconciliations	A reconciliation is performed which reconciles the general ledger system to the debtors sub ledger.	2 months from Q3					None identified	None identified	
Reconciliation sign off	A log of all reconciliations performed in the month is signed off by the Finance Manager	2 months from Q3	 				None identified	None identified	
Invoice Payment	NA	All invoices paid in Q3							

Key	
Purple	No issues identified
Green	Minor issues identified
Amber	Some issues identified
Red	Significant issues identified

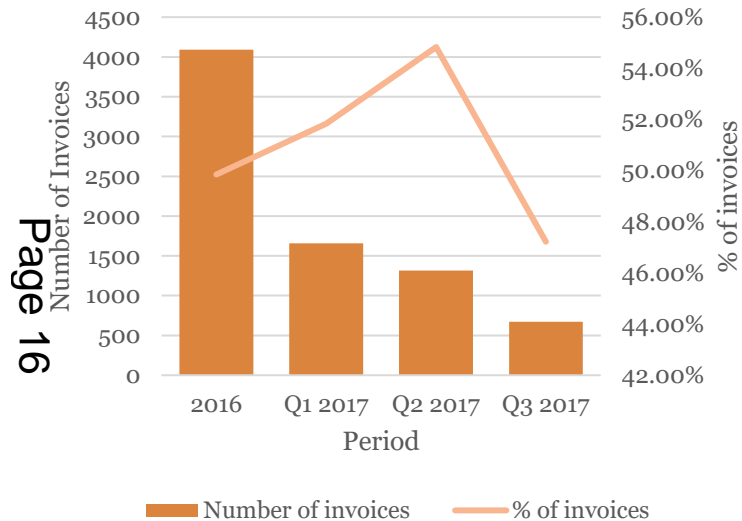
Hinckley and Bosworth Borough Council – finance continuous auditing

Insight report

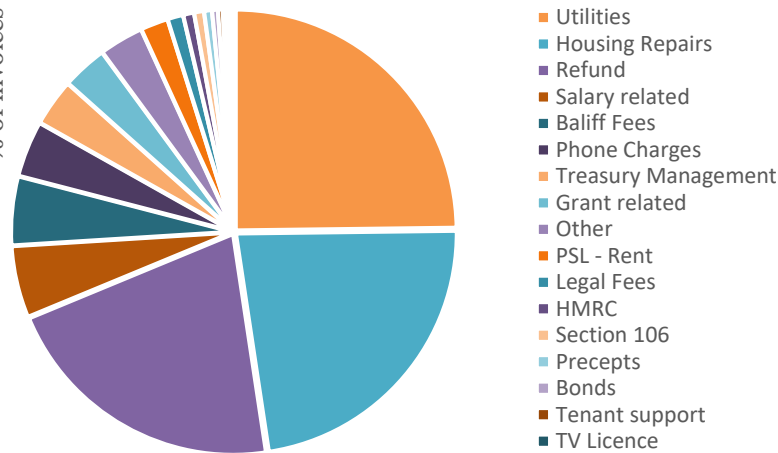
March 2018

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 have obtained the relevant information and have continued to monitor the number of transactions paid without a purchase order, which has identified the following for Q3:

Invoices paid without Purchase Orders



Types of expenditure without purchase order



Top 5 types of payment without purchase orders:

Type	%	£	Expect?
Utilities	24	90,909	X
Housing repairs	22	598,736	X
Refund	21	121,853	X
Salary related	5	2,659,844	X
Bailiff fees	5	9345	?

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

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

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Internal Audit Report 2017/2018

Housing repairs

***Hinckley and Bosworth
Borough Council***

FINAL

March 2018

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Executive summary

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Current year findings

2



Appendices

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- . Terms of reference
- . Limitations and responsibilities

Distribution list

For action: Sharon Stacey, Director – Community Services

For information: Ashley Wilson, Section 151 Officer
Audit Committee

Executive summary (1 of 2)

Report classification



Medium Risk (7 points)

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Comment

A review of this nature has not been performed in previous years.

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	0	0	1	1	0
Operating effectiveness	0	0	0	3	0
Total	0	0	1	4	0

Executive summary (2 of 2)



Headlines/summary of findings

This review has focused on providing assurance around the design and proper application of controls in relation to Housing Repairs processes. The outcome is a report with a medium risk rating, as there was 1 medium and 4 low risk findings:

- **Monitoring of purchased materials (Control design – Medium risk):** HBBC does not have a process to identify materials purchased for a job which is subsequently cancelled, or where there is a surfeit of material;
- **PFH spend reports (Operating effectiveness – Low risk):** Every month the Council spot checks two transactions for every engineer employed by PFH, the main contractor, but one engineer was missed from checking in October 2017 and December 2017. No evidence is retained of the date of the spot checks, the investigation performed on exceptions or evidence of review by the Operations Manager;
- **Purchase of housing repair materials (Operating effectiveness – Low risk):** To make a purchase engineers must provide the supplier with a job number or address of the job. Testing identified two exceptions where no job code or address was provided to the supplier.
- **Cancellation of housing repair jobs (Operating effectiveness – Low risk):** A valid reason for cancellation must be recorded in Orchard in order for cancellation request to be approved. Testing identified 1 of the 25 cancellations sampled where no reason for cancellation was recorded on the system;
- **Budget monitoring (Control design – Low risk):** Every month the Housing Repairs team receives updated year-to-date budget information from the Finance team which must be analysed alongside the WIP report extracted from Orchard. The current process involves manual line by line consolidation performed during the monthly budget meeting between Finance and Housing Repair.

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

Current year findings (1 of 5)

Monitoring of purchased materials

Control design

Page 21

1

Finding rating

Rating

Medium

Finding and root cause

The Council does not have a formal process in place to check for materials bought for jobs which are subsequently cancelled, or where a surplus of material is purchased.

We identified that of the purchases between April 2017 and the date of audit fieldwork there were 31 purchases for jobs which were subsequently cancelled. In 5 cases, items, with a total value of £178, were retained in engineers' vans to be used on other jobs.

Implications

The Council is at risk of asset misappropriation when a job is cancelled, or when materials are bought in excess.

Action plan

This will be manageable once the Council has the new vehicle fleet as each operative will have a 'van stock' to which returns can be credited to. For bigger or more expensive items the returns should be made to the suppliers with a return/credit note. The following actions will be undertaken:

- Manual auditable system of return to suppliers and/or holding at Jubilee by end of May 2018
- Return to auditable van stock pilot by end of December 2018
- Automated systems by April 2019

Responsible person/title:

Ged Hickey, Operation Manager

Target date:

Various – see action plan

Current year findings (2 of 5)

PFH spend reports

Operating effectiveness

Page 22

2

Finding rating

Rating

Low

Finding and root cause

On a weekly basis, HBBC receives a report from its main supplier, PFH, with a breakdown of spend. Every month, two transactions per engineer are checked to the job details on Orchard.

Testing identified that 1 engineer of the 25 was missed from the October 2017 and December 2017 spot check. It was also identified that there is a lack of audit trail to demonstrate the date the spot check was performed, the investigation performed on exceptions or evidence of review by the Operation Manager.

There is currently no action to reconcile the monthly PFH invoices which are processed through the purchase system to the weekly reports which are used as the basis of the spot checks.

Implications

There is a risk that the spot checks may not be completed and investigations not performed on a timely basis.

Action plan

- (1) Ensure that all engineer are included as part of the monthly spot check performed.
- (2) The spot check should be signed, dated and reviewed so that there is evidence of the check being performed. Any investigations should be documented to provide a clear audit trail of action taken.
- (3) Instead of performing spot check on the weekly reports received from PFH, perform spot check on monthly invoices received.

Responsible person/title:

Ged Hickey, Operation Manager

Target date:

March 2018

Current year findings (3 of 5)

Purchase of housing repair materials

Operating effectiveness

Page 23

3

Finding and root cause

In order to make a purchase engineers must provide the supplier with the job number or address of the job so the purchase of materials can be appropriately allocated and accounted for. A purchase should not be made without this information.

Testing of all purchases made between April 2017 and the date of audit fieldwork, in January 2018, noted two instances where no job code or address was provided to the supplier. Upon identification of these issues the team have since been able to allocate the materials to specific jobs.

Implications

The Council could potentially pay inappropriate charges for materials not linked to recorded jobs.

Action plan

Staff should be reminded of the importance of providing a job reference number or address for all purchases made.

Responsible person/title:

Ged Hickey, Operation Manager

On a regular basis the team should scan through the purchase report to identify and investigate any purchases made where a job code has not been provided.

Target date:

March 2018

Finding rating

Rating

Low

Current year findings (4 of 5)

Cancellation of housing repair jobs

Operating effectiveness

Page 24

4

Finding rating

Rating

Low

Finding and root cause

A valid reason for cancellation must be recorded in the Orchard system in order for a cancellation request to be approved.

We identified 1 of the 25 cancellations sampled, where no reason for cancellation was recorded on the system.

Implications

The Council may not be delivering an effective service if jobs are cancelled inappropriately.

Action plan

Staff are to be reminded of the need to adhere to the Council's process of recording the reason for cancellation accurately on the Orchard system.

Responsible person/title:

Ged Hickey, Operation Manager

Target date:

March 2018

Current year findings (5 of 5)

Budget monitoring

Control design

Page 25

5

Finding and root cause

On a monthly basis, Housing Repairs team receives updated year-to-date budget from Finance team which must be analysed alongside the Work in Progress (WIP) report extracted from Orchard. The current process involves manual line by line consolidation performed during the monthly budget meeting between Finance and Housing Repair.

Implications

Manual consolidation of Budget and WIP report during the meeting gives rise to risk of human error e.g. missing out line items from the consolidation. As a result, budget review may be performed based on incorrect information.

Action plan

The finance team to provide the facility to make the budget report be integrated with WIP. This will establish a more effective process to consolidate the Budget and WIP report in advance of the monthly budget meeting between Finance and Housing Repairs team.

Responsible person/title:

Lois Windsor, Finance and Performance Officer

Target date:

March 2018

Finding rating

Rating

Low

**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	Risk rating	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

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Hinckley and
Bosworth Borough
Council
January 2018

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Terms of reference

Housing repairs

To: Sharon Stacey – Director, Community Services
From: Richard Bacon, Head of Internal Audit



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 Housing Repairs Team deals with the maintenance and upkeep of council owned houses, flats, bungalows, sheltered complexes and garages. Below are some of the tasks that they carry out:

- Property inspections and surveys
- Conditional consent for tenant improvements and alterations
- Repairs to the main structure of the property
- Out of hours emergency property repairs to council owned properties
- Adaptation of council owned properties, following a referral from Social Services
- Servicing and repair of all gas appliances belonging to the council
- Programmed improvements to council owned properties
- External decoration of council owned properties

Where work is planned supervisors within the Housing Repairs Team can visit a number of local suppliers and using a procurement card purchase materials required to complete the planned work. Details of all work performed and materials used are recorded on the Orchard system. On a monthly basis an invoice is received from suppliers and the charges made are reconciled to the records of work performed with any exceptions identified and investigated.

The team also record on the Orchard system details of when planned works are cancelled, the reason for this and have a process in place to ensure work is completed on a timely basis.

The Housing Repairs team submit monthly budget monitoring reports to finance with details regarding the current financial position and performance against budget. These are informed by a review of the current caseload and level of work in progress.

Audit scope and approach (1 of 3)



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
Purchase of housing repairs materials	The Council is at risk theft of materials or paying inappropriate charges for materials not linked to recorded jobs	<ul style="list-style-type: none"> The Council has in place an effective system to record what materials have been purchased and details regarding which job they relate to There is a mechanism for reconciling material charges to records of work performed
Cancellation of housing repair jobs	<p>The Council may not be delivering an effective service if jobs are cancelled in appropriately.</p> <p>There is a risk around the misappropriation of assets where jobs are cancelled.</p>	<ul style="list-style-type: none"> The Council has in place a process to ensure that where jobs are cancelled the materials ordered are used appropriately The Council has a process to reschedule jobs when cancelled to ensure an efficient service is delivered The Council maintains adequate records to evidence why jobs have been cancelled
Housing repairs budget monitoring	The department may not be able to deliver its services in line with its allocated budget.	<ul style="list-style-type: none"> The Housing Repairs team has an effective system in place around budget monitoring Work in progress reports are prepared on a timely and accurate basis and provided to finance.

Audit scope and approach (3 of 3)



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
Andrew Chan	Internal Audit Team Member	chan.l.andrew@pwc.com

Key contacts – Hinckley and Bosworth Borough Council

Name	Title
Ashley Wilson	Section 151 Officer
Sharon Stacey	Director – Community Services
Mark Tuff	Housing Repairs Manager
Ged Hickey	Housing Repairs Operations Manager
Rachel Moss	Operations Admin Support Officer
Lois Windsor	Finance and Performance Officer

Timetable and information request



Timetable

Fieldwork start	5 February 2018
Fieldwork completed	16 February 2018
Draft report to client	9 March 2018
Response from client	16 March 2018
Final report to client	23 March 2018

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

- Copies of any procedure notes supporting the housing repairs process
- Copies of the monthly invoices from suppliers
- Copies of the latest budget monitoring return

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

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

Internal control

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

Future periods

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

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

Responsibilities of management and internal auditors

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

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

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

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

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

In the event that, pursuant to a request which Hinckley and Bosworth Borough Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Hinckley and Bosworth Borough Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Hinckley and Bosworth Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, Hinckley and Bosworth Borough Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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Internal Audit Report 2017/2018

Environmental Health – Pest control

*Hinckley and Bosworth
Borough Council*

FINAL

March 2018

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- . Terms of reference
- . Limitations and responsibilities

Distribution list

For action: Rob Parkinson, Director –Environment and planning

For information: Audit Committee
Ashley Wilson, Section 151 Officer

Executive summary (1 of 3)

Report classification



Low Risk (1 points)

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Comment

A review of this nature has not been performed in previous years

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	0	0	0	1	1
Operating effectiveness	0	0	0	0	1
Total	0	0	0	1	2

Executive summary (2 of 3)



Headlines/summary of findings

This review has focused on providing assurance on the design and proper application of controls over Pest Control. The outcome is a report with a low risk rating, as there was one low risk finding:

- **Financial reconciliation (Control design – low risk):** There is a regular reconciliation between invoices from the contractor and the Uniform system, to ensure that the contractor’s costs have been authorised. The reconciliation should be signed, dated and reviewed; and

A number of other findings were identified, but the underlying issues and risk have already been addressed by appropriate remedial action and we have classed these as advisory findings.

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

Current year findings (1 of 3)

Financial reconciliation

Control design

Page 41

1

Finding and root cause

There is a reconciliation between the monthly invoice received from the subcontractor, SDK, and the Uniform system to reconcile charges against jobs performed before any invoice is paid under the normal purchase route.

Testing has demonstrated that the reconciliation is performed, but the reconciliation is not signed or dated and there is no review process.

Implications

Reconciliations may not be completed on a timely basis. Reconciling items may not be identified and investigated on a timely basis.

Action plan

Since the date of the audit, a new reconciliation system has been introduced to include a signed and date record of actions taken which is formally reviewed. This will ensure that there is evidence of the reconciliation being performed to demonstrate the process is being adhered to.

Responsible person/title:

Simon Smith, Senior Environmental Health Officer

Target date:

April 2018

Finding rating

Rating

Low

Current year findings (2 of 3)

Service monitoring

Control design

Page 42

2

Finding and root cause

Requests for pest control work are given to the subcontractor, SDK, to contact the customer and arrange an appointment. The Council currently receives a report on a quarterly basis detailing the date referred, date contacted and date of first appointment.

Our testing did not identify any issues with regards to the timeliness of visits with residents waiting between 1 and 11 days for an appointment from original request.

Action plan

SDK could provide information on a more frequent basis regarding the number of outstanding appointments to ensure the Council has visibility over any delays.

Finding rating

Rating

Advisory

Current year findings (3 of 3)

Rates and charges

Operating effectiveness

Page 43

3

Finding and root cause

Rates charged to customers are reviewed annually by the Council and updated into SDK's system.

We identified 1 charge of the 25 charges tested, where the prior year rate was charged to customer by SDK. The customer request was received on 03/04/2017 and the charges were not updated until 06/04/2017. This meant the customer was charged £52 instead of £53. This was identified by the Council and already rectified before the audit.

Action plan

In the future ensure the correct rates are updated in the subcontractors system on a timely basis.

Finding rating

Rating

Advisory



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

Appendix B: Terms of reference

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*Hinckley and
Bosworth Borough
Council*
December 2017

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Terms of reference

Environmental Health – Pest Control

To: Rob Parkinson, Director – Environment and planning
From: Richard Bacon, Head of Internal Audit



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 currently employs one person in house on a part time basis to provide a local resource, but most of the Environmental Health Pest Control work is carried out by a subcontractor, SDK, which provides pest control services in the area. The contract has been retendered every two years since the service was outsourced in 2013, the latest contract was tender for one year. Residents in receipt of benefits receive the rat treatment service for free, with other services being at a reduced rate. There are set rates for the different services which residents pay per treatment and the Council is recharged the difference between the cost incurred and charged cost on a monthly basis which it reconciles with the jobs performed. A rat treatment consists of three visits and if the matter is not resolved the Council's in house officer will take over responsibility for dealing with the problem and escalate as appropriate.

The Council has a good working relationship with the subcontractor and receives information on a timely basis regarding services delivered and customer feedback.

There are no specific areas of concern and the review will consider the existing systems in place with regards to service provision, finances and record keeping to provide assurance that the service is operating as designed and has in place an effective system of governance and control.

Audit scope and approach (1 of 2)



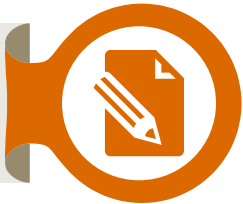
Scope

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 of audit fieldwork.

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

Sub-process	Risks	Objectives
Systems and processes	<ul style="list-style-type: none"> The Council does not have adequate processes to consistently deliver the service Services are being delivered at a discounted rate for those who are not eligible 	<ul style="list-style-type: none"> The Council has in place adequate systems and processes for responding to pest control requests There are checks undertaken to demonstrate that the free service is delivered appropriately for residents in receipt of benefits
Financial reconciliations	<ul style="list-style-type: none"> The Council are paying for services which have not been delivered 	<ul style="list-style-type: none"> The Council reconciles, on a monthly basis, the number of jobs delivered and the expenditure charged
Service provision	<ul style="list-style-type: none"> Residents are dissatisfied with the service they receive 	<ul style="list-style-type: none"> The Council receives feedback on a timely basis regarding the quality of service provision and any complaints are escalated within the Council

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
Mark Vu	Internal Audit Team Member	bach.h.vu@pwc.com

Key contacts – Hinckley and Bosworth Borough Council

Name	Title
Ashley Wilson	Section 151 Officer
Rob Parkinson	Director – Environment and planning
Simon Smith	Senior Environmental Health Officer - pollution

Timetable and information request



Timetable

Fieldwork start	29 January 2018
Fieldwork completed	2 February 2018
Draft report to client	23 February 2018
Response from client	2 March 2018
Final report to client	9 March 2018

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.
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Information request

Copies of any procedures or process notes for the area

Access to the monthly reconciliations

Listing of all jobs undertaken between April 2017 and the date of the audit fieldwork

Access to reports from SDK regarding current performance

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.

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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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Internal Audit Report 2017/2018

Management of Section 106 Agreements

**Hinckley & Bosworth
Borough Council**

FINAL

March 2018

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- Terms of reference
- Limitations and responsibilities

Distribution list

For action: Nicola Smith, Planning Manager
Gemma Dennis, Planning Team Leader
Lesley Keal, Compliance & Monitoring Officer

For information: Audit Committee
Ashley Wilson, Section 151 Officer

Executive summary (1 of 3)

Report classification



Low Risk (5 points)

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Trend

A review of this nature has not been performed in previous years

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	0	0	1	0	2
Operating effectiveness	0	0	0	2	2
Total	0	0	1	2	4

Executive summary (2 of 3)



Headlines/summary of findings

Since April 2017 and the date of audit testing, 10 new section 106 agreements have been entered into in addition to ongoing agreements.

This review looked in detail at the arrangements for section 106 agreements. The outcome is a report with a low risk rating, as there was one medium and two low risk findings:

- **Finance reconciliation (medium risk):** There is a monthly meeting between the Compliance and Monitoring Officer and finance team to reconcile the financial records of amounts invoiced and spent with the underlying S106 documentation. We were unable to perform testing over this control as there is no evidence retained;
- **Invoicing (low risk):** testing identified one invoice was raised two months after the trigger date had occurred owing to a delay in the receipt of information received from the finance team; and
- **Aged debtor report (low risk):** between the months of March 2017 and August 2017 we understand that the aged debtors report was not received and follow up action could not be undertaken.

A number of other findings were also identified, but the underlying issue and risk has already been addressed by appropriate remedial action and we have classed these as advisory findings.

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

Executive summary (3 of 3)



Management comments

Include overall management comments on the findings.

This section can be omitted if not required.

Current year findings (1 of 7)

Finance reconciliation

Control design

Page 60

1

Finding and root cause

There is a monthly meeting between the Compliance and Monitoring Officer and finance team to reconcile the financial records of amounts invoiced (GL code: 5547) and amounts spent (GL code: 5548) with the underlying S106 documentation. We were unable to perform testing over this control as there is no evidence retained. We obtained the latest spreadsheet but we cannot determine if this was completed consistently across the year.

We also identified that there are no set thresholds used to determine whether a variance is significant. It may be beneficial to implement a set threshold and confirm that any variances above this value will be investigated.

Implications

There may be inconsistency between the financial records and the underlying S106 agreement documentation which is not investigated on a timely basis.

Action plan

Evidence of reconciliations being performed should be retained to demonstrate the process is being adhered to.

Responsible person/title:

Lesley Keal, Compliance and Monitoring Officer

A threshold should be defined, above which variances on the reconciliation will be investigated.

Target date:

March 2018

Finding rating

Rating

Medium

Current year findings (2 of 7)

Invoicing

Operating effectiveness

Page 61

2

Finding rating

Rating

Low

Finding and root cause

Each agreement has specific trigger which prompts the Compliance and Monitoring Office to raise an invoice.

Our testing identified one invoice was raised two months after the trigger date. It is understood this is an isolated incident as the invoice required an indexation calculation from finance team which was delayed in being processed by two months.

Implications

Invoices are not raised on a timely basis leading to an delay in receipt of S106 monies

Action plan

Staff will be reminded of the importance of raising invoices on a timely basis and where additional information and support is required from other teams this will be forthcoming

Responsible person/title:

Ashley Wilson, Section 151 Officer

Target date:

1 April 2018

Current year findings (3 of 7)

Aged debtor report

Control design

Page 62

3

Finding and root cause

On a monthly basis, the Monitoring and Compliance Officer receives the "Aged debt report" from the finance team which will identify whether any outstanding debtors are aged significantly. If required, the Monitoring and Compliance Officer will ensure that appropriate steps are being taken to recover the debt.

However, between the months of March 2017 and August 2017 we understand that the aged debtors report was not received and follow up action could not be undertaken.

Implications

Debtors are not chased and investigated on a timely basis

Finding rating

Rating

Low

Action plan

Ensure that the aged debtor report is shared with all individuals responsible for chasing debtors on a timely basis.

Responsible person/title:

Ashley Wilson – Section 151 Officer

Target date:

1 April 2018

Current year findings (4 of 7)

Identification of trigger points

Operating effectiveness

Page 63

4

Finding and root cause

Each agreement has specific trigger points at which invoices should be raised. The Compliance and Monitoring Officer completes a number of checks to monitor progress and ensure invoices are raised when appropriate, including monitoring Building Control records and reviewing Discharge of Conditions application. On a monthly basis the Monitoring and Compliance Officer uploads the Section 104 monitoring spreadsheet with latest details and estimates when trigger points will be achieved.

There is no documentation that the checks are being performed; however we could see that the monitoring spreadsheet has been appropriately updated. We identified that in August 2017 checks were not performed until October 2017 as the Compliance and Monitoring Officer was absent from work and no one else was trained to do the checks. Since then, another member of the team has been trained to perform these checks to ensure they are undertaken on a timely basis.

Action plan

Ensure that there are adequate staff trained to perform checks and identify whether trigger conditions have been satisfied on a timely basis.

Finding rating

Rating

Advisory

Current year findings (5 of 7)

Funding requests

Control design

Page 64

5

Finding rating

Rating

Advisory

Finding and root cause

When requests for funding are made supporting documentation is provided to demonstrate what the money will be spent on. The Compliance & Monitoring Officer verifies the proposed expenditure is appropriate and in line with the agreement terms. This information is then provided electronically by email using a S106 Forum Electronic Meeting to the relevant people who have 7 days to raise any opposition. Currently a reply is only required when an objection is being raised to the proposed funding request. This may mean that requests are considered approved but actually individuals have just not reviewed the request.

Whilst supporting documentation is required when the original request is made no subsequent checks performed to confirm the final costs, whether they were in line with budget and whether spend was in line with the original agreement.

From September 2017, the Council is asking Parishes to provide a confirmation of works have been performed and supporting invoices for work completed to address this issue. Since this has only recently been introduced we were not in a position to test the effectiveness of this control.

Action plan

The Council has already introduced a control to address this risk and going forward will reconcile invoices received for work performed to funding requests received.

Current year findings (6 of 7)

Coding of invoices

Operating Effectiveness

Page 65

6

Finding and root cause

When funds are requested, the Compliance and Monitoring Officer will raise an internal invoice. The internal invoice must be designated with a “T” code to align the invoice with each specific S106 application.

Our testing identified that a “T” code was omitted from one internal invoice; however, this was identified by Finance when they processed the request and investigated. We have reviewed the associated evidence which demonstrated that this was appropriately identified and resolved internally within the Council.

Action plan

Ensure that “T” codes are included on all internal invoices raised to ensure that they can be attributed to a specific S106 application and there is no delay in the timely processing of invoices.

Finding rating

Rating

Advisory

Current year findings (7 of 7)

Refunds process

Control design

Page 66

7

Finding and root cause

The Council has never experienced a situation in which funds are required to be repaid to developers. As a result, there is no formal process in place to ensure that where refunds are made they are appropriately authorised and the reasoning is documented. To ensure that the Council is prepared should the situation arise it may be beneficial to include a section on the existing process notes.

Action plan

The Council should develop a refunds process and document this in the existing process notes to ensure a procedure is in place should the situation arise in the future.

Finding rating

Rating

Advisory



**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

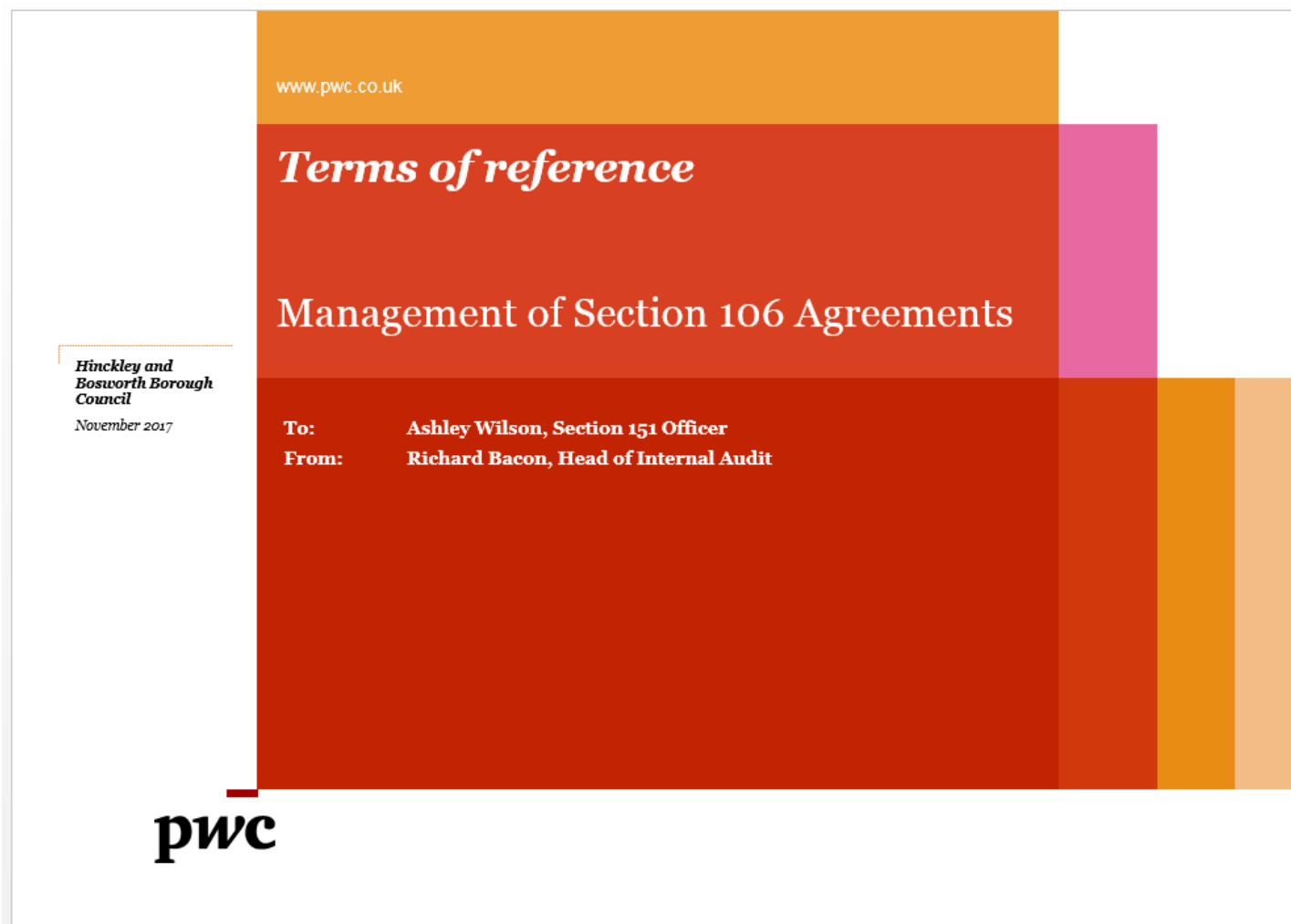
The report classification is determined by allocating points to each of the findings included in the report.

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

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www.pwc.co.uk

Terms of reference

Management of Section 106 Agreements

Hinckley and Bosworth Borough Council
November 2017

To: Ashley Wilson, Section 151 Officer
From: Richard Bacon, Head of Internal Audit

pwc

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

Section 106 (S106) Agreements allow a local planning authority to enter into a legally-binding agreement or planning obligation with a landowner in association with the granting of planning permission. S106 agreements are used to help offset the pressure of new developments with improvements to local infrastructure and facilities. S106 agreements can only be used on projects laid down in the legal agreement with the developer, within an agreed period of time.

The overall objective of this audit is to review and assess the process for capturing and recording S106 agreements information, monitoring of S106 agreement triggers and the collection of monies, management and spending of monies received and S106 reporting.

There are no specific areas of concern identified 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 3)



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
Agreement information	Where S106 Agreement information is not recorded in a consistent manner across the Council, this may result in ineffective monitoring and reporting of S106 Agreements resulting in financial loss and reputational damage to the Council.	<ul style="list-style-type: none"> • Policies, procedures and guidance is readily available to key staff • All S106 agreements are added to the database in a consistent manner with all relevant information attached • There are adequate records and audit trails between departments to ensure that financial contributions due are collected
Monitoring of agreements	Failure to ensure S106 contributions are collected as per the terms of agreements prior to the Council completing developments/works may result in the Council being required to provide the funding where developers became insolvent or do not ultimately provide the contributions agreed.	<ul style="list-style-type: none"> • Mechanisms are in place to ensure contributions are collected as per the agreements • Invoices are raised to collect S106 monies in line with the agreements • There is a strategy in place to manage/monitor the use of S106 Agreement contributions to ensure appropriate schemes and developments are funded • Reconciliations are performed between the financial ledger and the database

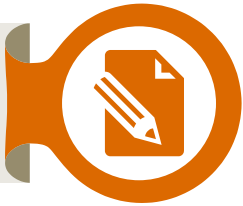
Audit scope and approach (2 of 3)



Scope continued

Sub-process	Risks	Objectives
Approval for the release of agreement monies	Failure to have an efficient, appropriate and timely process in place for the release of S106 monies may lead to delays in starting projects, or projects not starting at all. This may result in S106 contributions being returned to developers, which may have a reputational impact on the Council.	<ul style="list-style-type: none"> There is an efficient and effective process in place for the release of monies Funds are approved prior to being released to project codes
Ordering S106 agreement works	Failure to ensure that monies held from agreements are spent in accordance with those agreements may result in monies being returned to developers in the event that the Authority is challenged on the application of S106 funding.	<ul style="list-style-type: none"> There is appropriate review of funds drawn down to projects to ensure that the funds allocated to projects are appropriate based on terms of the agreement When monies are returned to developers the reason is accurately categorised and reported in a central location to allow for ease of monitoring Returns are appropriately authorised prior to being processed
Financial accounting and reporting	Failure to reconcile records with those maintained by other teams involved in the S106 process may result in contributions being drawn down or returned erroneously/inappropriately without the appropriate approval.	<ul style="list-style-type: none"> There is a clear audit trail of the S106 funds received, allocated and spent There is timely monitoring of contributions due and monies received Appropriate processes are in place to ensure that development monies are accurately recorded on the financial ledger

Audit scope and approach (3 of 3)



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.

We will select a sample of agreements and focus on the activities which have taken place from April 2017 to the date of fieldwork rather than considering each agreement in its entirety dating back a number of years.

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
Mark Vu	Internal Audit Team Member	bach.h.vu@pwc.com

Key contacts – Hinckley and Bosworth Borough Council

Name	Title
Ashley Wilson	Section 151 Officer
Nicola Smith	Planning manager
Gemma Dennis	Planning team leader
Lesley Keal	Compliance & Monitoring Officer

Timetable and information request



Timetable

Fieldwork start	27 November 2017
Fieldwork completed	1 December 2017
Draft report to client	15 December 2017
Response from client	22 December 2017
Final report to client	5 January 2018

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 the spreadsheet used to monitor section 106 monies

Copies of any process or procedure notes

Reconciliation between the section 106 spreadsheet and financial information

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

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

Internal control

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

Future periods

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

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

Responsibilities of management and internal auditors

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

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

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

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

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

In the event that, pursuant to a request which Hinckley and Bosworth Borough Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Hinckley and Bosworth Borough Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Hinckley and Bosworth Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, Hinckley and Bosworth Borough Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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Internal Audit Progress Report 2017/18

*Hinckley and
Bosworth Borough
Council*

April 2018

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Click to launch

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- B. Internal audit - Key performance indicators
- C. Analysis of days included in plan
- D. Thought leadership

Distribution list

For information: Audit Committee

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:

Final reports issued:

- Continuous auditing Q3
- Section 106
- Housing repairs
- Environmental health

Fieldwork completed and draft report issued:

- Legal
- Revenues and benefits partnership
- Compliance – food hygiene

Fieldwork completed

- Follow up of prior year recommendations
- HR – sickness and absence

Fieldwork in progress

- Continuous auditing Q4

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	Complaints - Review completed and final report issued Food Hygiene – Fieldwork completed and a draft report issued 26 th March 2018.	Julie Kenny
A.2	Corporate governance / risk management	13	Q2	Risk Management – Review completed and final report issued Business Continuity – flagged with management, unable to arrange a scoping meeting to discuss the scope of the review.	Julie Kenny
B Corporate Services					
B.1	Legal services	7	Q2	Draft report issued 15 December 2017, following fieldwork which took place during October 2017. Email correspondence received 8 th February 2018, since requested discussion with management to finalise the report.	Aftab Razzaq
B.2	HR and transformation	8	Q4	Fieldwork undertaken during the week commencing 12 th March, currently in review a draft report to be shared shortly.	Julie Stay
B.6	Finance	15	Q1-4	Q3 review complete and final report issued Q4 fieldwork currently in progress and a draft report will be shared shortly. Section 106 monies – review completed and final report issued	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	Review completed and final report issued 2 nd March 2018.	Jo Wykes
C.5	Private sector housing	8	Q3	Review to focus on Lightbulb project – to be removed from the plan.	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	Review removed from plan	Edwina Grant
D	Environment and planning				
D.1	Environmental Health	8	Q3	Review completed and final report issued 2 nd March 2018.	Steve Merry
E	Revenues and Benefits Partnership				
E1-4	Revenues and benefits partnership	12	Q3	Draft report issued 9 th February 2018, comments from management received 23 rd February 2018, since then PwC have requested a meeting with management to discuss the report and findings.	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
Available days brought forward	-12	As previously reported
Compliance – Food hygiene	+5	Additional Food hygiene review added to audit plan
Strategic and community planning	-8	Scoping meeting held with Director of Community Services and determined that the review will be removed from the plan and used to extend the scope of other reviews.
Total	-15	We have tried to discuss the available days with management in order to understand where additional support can be provided.



**Appendix A: Outstanding
audit actions**

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

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

**Appendix D: Thought
leadership**

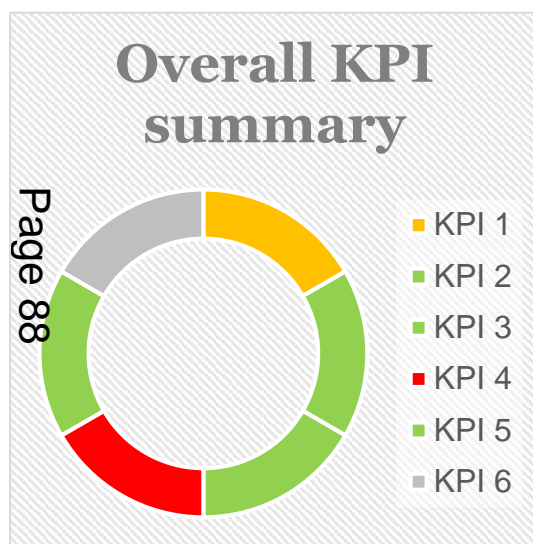
Appendices

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. We have undertaken a review of closed audit actions and will present a report to the next meeting of the Audit Committee.

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



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	-15	We have tried to discuss the available days with management in order to understand where additional support can be provided.
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 at the end of fieldwork with the relevant audit contacts to discuss findings, followed by a draft report shared with all responsible individuals.
4) Draft reports issued promptly	100%		There has been a delay in the issuing of draft reports compared with the dates identified in the terms of reference of between 1 week and 4 weeks. Where significant delays were experienced - for legal services and section 106 this was owing to outstanding information required to conclude the review.
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 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	15
A.2	Corporate governance / risk management	Q2	13	7
B	Corporate Services			
B.1	Legal services	Q2	7	7
B.2	HR and transformation	Q4	8	7
B.3	Finance	Q3	15	18
B.6		Q1-4		
B.7	Estates and assets	Q3	10	0
C	Community services			
C.4	Housing options	Q2	8	12
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	8
E	Revenues and Benefits Partnership			
E1-4	Revenues and benefits partnership	Q3	12	12

Ref	Auditable Unit	Q	Audit days	Audit days used to date
F	Project Management			
F.1	Prior year recommendation follow up	Q1-Q4	7	9
F.2	Project management	Q1-Q4	8	6
F.3	Contingency	Q1-Q4	3	0
Total days			125	101

Appendix D: Thought leadership

The Low Carbon Economy Index 2017

Tracking the progress G20 countries have made to decarbonise their economies since 2000.

Is Paris possible? Not at this rate

In 2016, global GDP growth was 3.1% but emissions showed signs of stabilising, growing by only 0.4%. This means carbon intensity – emissions per dollar of GDP – fell by 2.6% in 2016. Carbon intensity has fallen at approximately this rate since 2014 - a clear step change from the historical rate. While the recent decarbonisation rate is nearly double the average since 2000, it falls just short of the 3% average decarbonisation rate required to achieve the national targets pledged in the 2015 Paris Agreement.

More importantly, this rate is less than half of the 6.3% decarbonisation rate needed to limit global warming to well below two degrees - the main objective of the Paris Agreement.

Some countries are leading the pack

There are signs that some countries are sustaining a low carbon transition. The leaders in our Index - UK, China, Mexico and Australia - all reduced emissions while growing their economies. In UK and China this is particularly driven by policies to reduce coal consumption.

But progress is inconsistent

Although countries such as the UK and China substantially reduced their use of coal, this was offset by increases in coal demand in India, Indonesia and Turkey. As a result, coal consumption, which provides one third of the world's energy, fell modestly by 1.4%. Demand for gas and oil both continued to grow by 1.8% in 2016. Solar and wind output grew at 30.0% and 15.9% respectively last year, but these still only account for a small share of the global energy system.

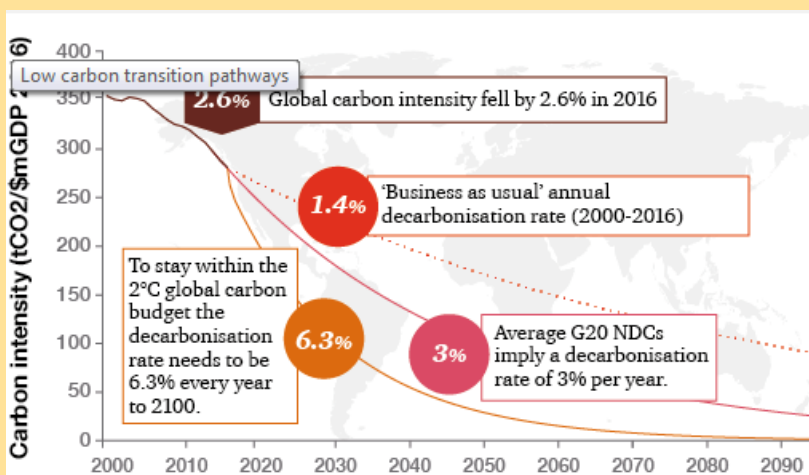
Paris is only possible with accelerated action

In future we project global average economic growth of 2.1%, so carbon emissions need to fall by over 4% every year average to hit the two degrees target. The considerable gaps between current progress, the national targets and the global goal highlight the risks to business and society.

Top Performers

Top performers in 2016 are the UK and China, who reduced their carbon intensities by 7.7% and 6.5%. Both exceeded their NDC targets and the annual global decarbonisation rate required to limit warming to two degrees. However, these countries are the exceptions rather than the rule - the rest of the G20 didn't do so well.

Read the full report at: <https://www.pwc.co.uk/services/sustainability-climate-change/insights/low-carbon-economy-index.html>



Appendix D: Thought leadership

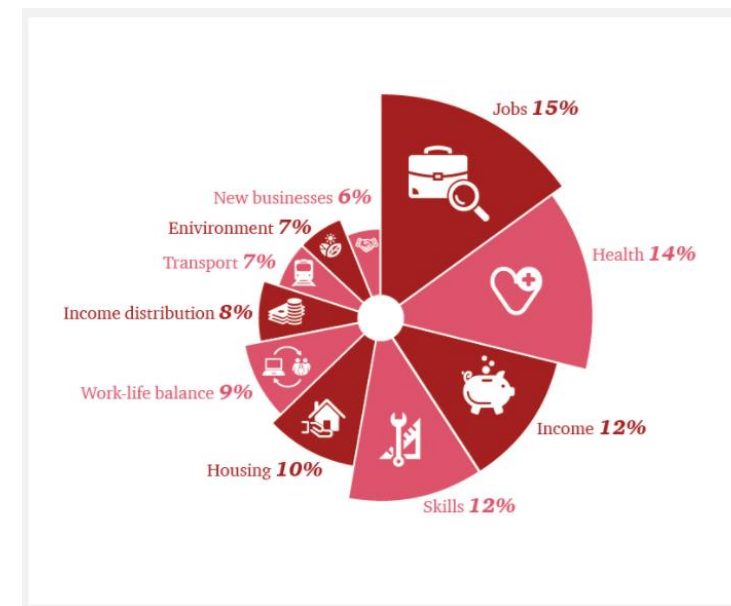
PwC’s Good Growth for Cities Index

Summary

Place based inclusive growth is now firmly on the agenda as a key priority for the Government, with its stated ambition to deliver an “economy that works for all”.

This, in turn, means that success needs to be judged in new ways: factors like health, housing affordability and quality of life need to be put alongside jobs, skills and incomes when we measure good growth. Importantly, places need to see success through the eyes of what the public wants and needs, in both an economic and social sense.

Now in its sixth year, the Demos-PwC Good Growth for Cities Index measures the current performance of a range of the largest UK cities, and all Local Enterprise Partnership areas in England, against a basket of ten indicators based on the views of the public and business as to what is key to economic success and wellbeing.



Implications for cities

This year’s Index highlights four broad implications for city leaders, working with their business and educational partners and the public to deliver good growth: Shape visions/identities and economic development strategies to achieve inclusive, place based growth supported by local industrial strategies spanning skills, infrastructure, innovation and business growth.

Use the assets in a place to leverage investment and attract talent and finance, post-Brexit, by being investor ready and capturing value in new ways. Cities need to grasp the impacts, understand their strengths and weaknesses in a post-EU landscape and develop a prioritised action plan to attract business investors and employees. This includes cities stepping up and proactively going abroad on a city-to-city basis to find investment, develop trading links and promoting exports.

Build the case to secure additional fiscal powers as part of a re-booted devolution deals process.

Delivering good growth cannot be achieved by any one person working alone but goes hand-in-hand with place based transformation, where local government, central government and the private sector act together and work collaboratively to deliver outcomes and where place based leaders facilitate local economic growth, prosperity and well-being.

Appendix D: Thought leadership

National Minimum Wage – naming and shaming update

Department for Business Energy and Industrial Strategy (BEIS) issued their latest list of employers to be "named and shamed" for failing to pay the National Minimum Wage (NMW). Highlights from the naming and shaming, include;

1- there was a record level of both repayments (£1.7m) to a record number of employees (16,000) as well as record level of fines (£1.3m) for non-compliance

2- as well as 260 employers being "named and shamed" by BEIS for failing to pay NMW there are more than 2,000 open cases being reviewed by HMRC - showing just how active HMRC have become, and

HMRC will be spending more than £25m on NMW enforcement this year- this will mean more people are audited, something we are already seeing.

PwC are currently helping more than 70 very large employers (across various industry sectors) with their NMW audits. While there are 2.3 million workers currently covered by the NMW, forecast to rise to 3.3 million by 2020, the technical nature of the NMW breaches that HMRC focus on mean that the Council could face a risk of non-compliance and of being named and shamed as a "rogue employer" as a result.

The Council should be taking action now to self review now and correct before HMRC issue a notice of a NMW audit. We have specialists who have supported a number of other organisations who would be able to support the Council on this issue.

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