

# Public Document Pack



Hinckley & Bosworth  
Borough Council

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

**Date: 16 April 2024**

**To: Members of the Audit Committee**

Cllr DS Cope (Chair)	Cllr MJ Surtees
Cllr A Pendlebury (Vice-Chair)	Cllr BE Sutton
Cllr CM Allen	Cllr BR Walker
Cllr REH Flemming	Cllr R Webber-Jones
Cllr E Hollick	Cllr P Williams
Cllr C Lambert	

Copy to all other Members of the Council

(other recipients for information)

Dear member,

There will be a meeting of the **AUDIT COMMITTEE** in G10, Ground Floor, Hinckley Hub on **WEDNESDAY, 24 APRIL 2024** 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 Manager

## Fire Evacuation Procedures

- On hearing the fire alarm, leave the building **at once** quickly and calmly by the nearest escape route (indicated by green signs).
- *There are two escape routes from the Council Chamber – at the side and rear. Leave via the door closest to you.*
- Proceed to **Willowbank Road car park**, accessed from Rugby Road then Willowbank Road.
- **Do not** use the lifts.
- **Do not** stop to collect belongings.

## Recording of meetings

At HBBC we are open and transparent about how we make decisions. We allow recording, filming and photography at all public meetings including Council, the Executive and Planning Committee as long as doing so does not disturb or disrupt the proceedings. There may occasionally be some reports that are discussed in private session where legislation requires this to happen, but this is infrequent.

We also allow the use of social media during meetings, which helps to bring the issues discussed to a wider audience.

Members of the public, members of the press and councillors are hereby informed that, in attending the meeting, you may be captured on film. If you have a particular problem with this, please contact us so we can discuss how we may accommodate you at the meeting.

## Use of mobile phones

To minimise disturbance to others attending the meeting, please switch off your phone or other mobile device or turn it onto silent or vibrate mode.

Thank you

## AUDIT COMMITTEE - 24 APRIL 2024

### A G E N D A

1. APOLOGIES AND SUBSTITUTIONS
2. MINUTES OF PREVIOUS MEETING (Pages 1 - 4)  
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 Chair decides by reason of special circumstances shall be taken as matters of urgency at this meeting (to be taken at the end of the agenda)
4. DECLARATIONS OF INTEREST  
To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the agenda.**
5. QUESTIONS  
To hear any questions received in accordance with Council Procedure Rule 12.
6. EXTERNAL AUDIT INTERIM PROGRESS REPORT (Pages 5 - 14)  
Report of the External Auditor
7. AUDIT PROGRESS UPDATE APRIL 2024 - OUTGOING AUDITORS (Pages 15 - 16)  
Report of the outgoing Auditors
8. ACCOUNTS RECEIVABLE 2022/23 FINAL INTERNAL AUDIT REPORT (Pages 17 - 28)  
Report of the Internal Auditor
9. PROCUREMENT 2022-23 FINAL INTERNAL AUDIT REPORT (Pages 29 - 50)  
Report of the Internal Auditor
10. STATUTORY PROPERTY COMPLIANCE FINAL INTERNAL AUDIT REPORT (Pages 51 - 76)  
Report of the Internal Auditor
11. INTERNAL AUDIT PROGRESS REPORT APRIL 2024 (Pages 77 - 88)  
Report of the Internal Auditor
12. STRATEGY, CHARTER & INTERNAL AUDIT PLAN 2023-25 (Pages 89 - 106)

Report of the Internal Auditor 2023-25

13. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIR DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY

As announced under item 3 above.

## HINCKLEY AND BOSWORTH BOROUGH COUNCIL

### AUDIT COMMITTEE

17 JANUARY 2024 AT 6.30 PM

PRESENT: Cllr DS Cope - Chair  
Cllr A Pendlebury – Vice-Chair  
Cllr CM Allen, Cllr REH Flemming, Cllr E Hollick, Cllr C Lambert, Cllr MJ Surtees,  
Cllr BE Sutton, Cllr R Webber-Jones, Cllr P Williams and Cllr C Gibbens

Also in attendance:

Officers in attendance: Chris Brown (Azets), Julie Kenny, Sarah Knowles, Helen Parks (Azets), Rebecca Valentine-Wilkinson and Ashley Wilson

#### 235. **Apologies and substitutions**

Apologies for absence were submitted on behalf of Councillor Walker, with the following substitution authorised in accordance with procedure rule 10.

Councillor C Gibbens for Councillor Walker

#### 236. **Minutes of previous meeting**

It was moved by Councillor Flemming, seconded by Councillor Webber-Jones and

RESOLVED – the minutes of the meeting held on 26 July be confirmed as a correct record.

#### 237. **Declarations of interest**

There were no interests declared at the meeting.

#### 238. **Annual Audit Plan - External audit**

Members were presented with the annual external audit plan which gave highlights of the key elements of the proposed audit strategy and an overview of the planned scope and timing of the external audit.

In a response to questions from members it was confirmed that:

- the audit work would be going ahead as planned even though there was a backlog from previous years;
- the risks identified in the plan were standard across the board, and set by the audit approach;
- once the statement from the minister was received regarding how the country were to deal with the backlog, it was confirmed that this wouldn't make significant changes to their processes.

It was moved by Councillor Flemming, seconded by Councillor Webber-Jones and

RESOLVED – the report be approved and noted.

**239. Housing Benefit subsidy claim audit 2021/22**

Members received a report on the audit results of the housing subsidy audit.

Members noted the report.

**240. Local Authority audit framework**

Members received a copy of a letter from Government regarding proposals to re-establish the local authority audit framework on a more sustainable basis.

In response to questions from members it was confirmed that:

- there wasn't any additional funding for this;
- members were pleased that things had moved forward and were more productive but also found it unacceptable that a public sector organisation had been treated in this way;
- additional resources may need to be bought in resourced from the general fund to manage the workload as there may be multiple audits being worked on at the same time.

It was proposed by Councillor Flemming, seconded by Councillor Pendlebury and

RESOLVED – the report be noted.

**241. 2022/23 Report on the National Fraud Initiative**

Members were informed of the results of the 2022/23 report on the National Fraud Initiative.

In a response to a question from members asking if the authority prosecuted on the undeclared cases:

- it was confirmed that the authority did go for recovery of the overpayment and consideration be given to prosecute, and
- an administrative penalty had been given to the cases highlighted.

It was proposed by Councillor Webber-Jones, seconded by Councillor Flemming and

RESOLVED - the report be noted.

**242. Audit Committee Self Assessment**

Members were presented with a summary of CIPFA's Audit Committees practical guidance for Local Authorities and the Police which was updated in October 2022.

It was proposed by Councillor Webber-Jones, seconded by Councillor Allen

RESOLVED – the report be noted and

- i. Audit Committee meet to assess themselves against the CIPFA criteria; and
- ii. with officers support draft an action plan to address areas of weakness noted in the self-assessment.

(The Meeting closed at 8.00 pm)

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CHAIR

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# Hinckley and Bosworth Borough Council

External Audit Interim progress report

Year ended 31 March 2024

March 2024



Agenda Item 6

# Contents

## Your key team members

### Chris Brown

Key Audit Partner

[Chris.brown@azets.co.uk](mailto:Chris.brown@azets.co.uk)

### Helen Parks

Audit Director

[Helen.parks@azets.co.uk](mailto:Helen.parks@azets.co.uk)

### Michaela Opoku Asare

In-Charge auditor

[Michaela.opoku.asare@azets.co.uk](mailto:Michaela.opoku.asare@azets.co.uk)

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# Introduction

## ***Adding value through the audit***

*All our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.*

## **Purpose**

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- Details of progress made to date and whether it is on track
- Where progress is on track, any initial findings which may impact the final accounts audit

Members are invited to consider the progress reported in this paper and any actions considered necessary in response.

## **Auditor reporting delays for previous periods and the impact on our audit**

Although we are planning to complete the majority of our audit work for the year ended 31 March 2024 in line with the statutory timetable, so that we can report our initial findings to your Audit Committee in late 2024, please note that we will not be able to fully complete our audit, issue our auditor's report and certify the closure of the audit until your predecessor auditor has issued their audit opinion for the year ended 31 March 2023. Once this has been completed, we will need to review the predecessor auditor's audit file and consider the impact on our audit of any modifications to their auditor's report.

Should additional procedures or changes to the audit plan be required, we will report these to you. The cost of additional work to revisit planning upon completion of the prior year audits will also be reported to you.

# Introduction

## Council responsibilities

The Council has responsibility for:

- Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation;
- Preparing and publishing, along with the financial statements, an annual governance statement and narrative report;
- Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support its financial statements and related reports disclosures; and
- Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

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## Our expectations and requirements

In our audit plan, we set out the following requirements to enable us to deliver the audit in line with the agreed fee and timetable:

- Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Narrative Statement, and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays.

# Introduction

## Continued progress of the audit

We have held meetings with the Director of Finance and Chair of the Audit Committee to inform our planning.

Engagement with management has been good and we have received responses to a range of planning enquiries and requests, enabling us to progress our planning work. Where information has been received, we have not at this stage identified any adverse findings to report to you.

However, management has not yet provided responses to all information requests to allow us to finalise our planning, more information is included on the following pages.

The continued progression of the audit from this point is dependant upon management's capacity to respond to requests and provide information as required. Should this not be possible, we will inform you of any change to the audit timescales and revised likely completion dates.

Should anything arise from our finalisation of the planning procedures that changes the risks or planned procedures, we will report these to you.

# Audit work plan tracker

We have outlined below progress to date on planning, risk assessment and early testing in relation to the financial statement audit:

Planned activity	Progress	Issues, impact and actions	Progress	Findings
Planning inquiries with management	Response received	None identified at the time of writing this report	GREEN	GREEN
Planning inquiries with Those Charged With Governance	Response received	There is scope to improve the information provided to Audit Committee members relating to key estimates and judgements, and the going concern assumption, so that they can provide appropriate oversight of these matters.	GREEN	AMBER
Value for money risk assessment and planning	Response received	We have identified a potential risk of significant weakness in governance arrangements which was communicated to the Audit Committee on 17 January 2024.	GREEN	AMBER
Opening balance testing	Delayed	Prior year closing balances have not been brought forward by the Council due to prior year audits not being completed. Therefore, it has not been possible to complete this work.	AMBER	AMBER
Income testing	In progress	We have selected samples for grant income and are awaiting responses to queries from management.	AMBER	AMBER
IT General controls	Delayed	There has been a lack of engagement from key contacts within the IT department and considerable delays in responding to requests for information. The work performed to date is currently undergoing review, however preliminary recommendations relate to segregation of duties and reviewing access to IT systems.	RED	AMBER

**KEY:**

- RED:** Information required significantly delayed and statutory deadline may not be met / significant issue identified as finding
- AMBER:** Information required is delayed / issue identified
- GREEN:** Information required received and audit on track / no significant adverse findings or issues identified at time of writing

# Audit work plan tracker

Planned activity	Progress	Issues, impact and actions	Progress	Findings
Walkthroughs/business processes	Response received	None identified at the time of writing this report.		
Preliminary going concern assessment	In progress	Management to present their assessment to the Audit Committee in April 2024.		
Employee remuneration starters and leavers testing	In progress	None identified at the time of writing this report.		
Interim expenditure testing	Delayed- we are still awaiting the population to select samples to test	Delays in receiving this information will necessitate reallocating time from the fieldwork stage to address outstanding planning, thereby potentially impacting the initiation of year-end testing.		
Management judgements and estimates	In progress	Management to present their key judgements and estimates to the Audit Committee in April 2024.		
Review of predecessor auditor files	We have not been able to review the predecessor auditor's files as audit opinions have not been issued for the 2020/21, 2021/22 or 2022/23 financial years.	We are unable to assess whether audit work from previous years will impact on our risk assessment or audit procedures.		

**KEY:**

**RED:** Information required significantly delayed and statutory deadline may not be met / significant issue identified as finding

**AMBER:** Information required is delayed / issue identified

**GREEN:** Information required received and audit on track / no significant adverse findings or issues identified at time of writing

# Audit work plan tracker

Planned activity	Progress	Issues, impact and actions	Progress	Findings
Population cleansing	In progress	We are having conversations with management to understand how data will be formatted, in particular for receivables and payables.		
PPE additions early testing	In progress	We are still awaiting further information and testing will be completed at year end to confirm additions have been included in the fixed asset register and accounted for correctly.		
PPE disposals early testing	In progress	Testing will be completed at year end to confirm disposals have been removed from the fixed asset register and accounted for correctly.		
Response to other planning inquiries	IFRS 16- we have not received responses to our queries on the preparedness of the IFRS 16 impact disclosures.	We are unable to assess whether management's approach to identifying leases that will be impacted by the transition to IFRS 16 is appropriate, and therefore whether the required impact disclosures are correct.		
Responses to preliminary analytical review queries	In progress	We are awaiting some responses from management to explain year on year variances.		
Review of internal audit	Responses received	None identified at the time of writing this report.		

- KEY:**
- RED:** Information required significantly delayed and statutory deadline may not be met / significant issue identified as finding
  - AMBER:** Information required is delayed / issue identified
  - GREEN:** Information required received and audit on track / no significant adverse findings or issues identified at time of writing



# AV AZETS

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## **Hinckley and Bosworth Borough Council Audit Progress Update**

### **Overview**

This paper seeks to update members of the Audit Committee on the progress of the audit of the 2020/21 Statement of Accounts and Value for Money for 2020/21, 2021/22 and 2022/23.

### **Financial Statements audit update**

We have previously discussed the status of the 2020/21 financial statements audit with management and the chair of the Audit Committee. Following the Local Audit market update issued by Stephen Reid on 6 December 2023, you would have read our approach to the ministerial statement issued in July 2023, and how, in the absence of guidance, we were planning to proceed with the expected backstop date for outstanding audits through to 2022/23 and focus on resetting the 2023/24 audit. The recent consultations from DLUHC, the NAO and CIPFA have given some indication of the proposals, and like you, we continue to await the finalisation of these so that we can conclude and move forwards with the reset and recovery of the system.

In March 2024 we had a meeting with the S151 officer where we set out our proposed approach in the absence of guidance. This concluded that given the backstop date, and the nature and volume of outstanding procedures to conclude your 2020/21 audit, we have achieved the maximum completion of historic audits having completed your audits through to 2019/20. Due to the factors set out in our letter referenced above, no further audit work will be completed on your 2020/21, 2021/22 and 2022/23 financial statements.

Whilst there may be different approaches audit firms take to affect the reset and recovery of the system, hopefully, this provides clarity about our approach and whilst we do still await formal guidance, this should provide a picture as to what the 2024 calendar year will look like from an audit perspective for you. We believe the best and quickest way to ensure sustainable recovery of the system is to be able to work to a 'traditional' audit timeline which will allow auditors to provide timely assurance to you, your Members, your Council Tax payers and other interested parties and will relieve the audit burden of working on historic audits, so would be beneficial for all.

### **Value for Money update**

As there are no anticipated significant changes to value for money reporting requirements, auditors' exception reporting responsibilities and statutory powers, we will focus on the completion of our value for money reporting for all open years of audit through to 2022/23.

We have substantially completed work on Value for Money for all open years of audit through to 2022/23. We are aiming to complete our procedures and provide interim reporting on the relevant arrangements in due course.

Our final reporting will be alongside the audit opinion for 2022/23 and any other open audit years, but we will need to wait for the legislation to be enacted and therefore confirmation of our requirement to disclaim the financial statement opinion on any open audit year.

**Transition**

To support the Minister's view of moving the focus to the most recent year's financial statements, we believe the best and quickest way to ensure sustainable recovery of the system is to be able to work to a 'traditional' audit timeline which will allow auditors to provide timely assurance to you, your Members, your Tax payers and other interested parties and will relieve the burden of working on historic audits.

As an audited body transitioning to a new auditor for 2023/24 we encourage you to continue to work with your new auditor to progress your 2023/24 audit to ensure the best possible chance to secure timely completion of and reporting on your audits under proposed Government guidance in the future. As your exiting auditor we are committed to ensuring an effective handover to your new auditor.



# Hinckley & Bosworth BC: Internal Audit Final Report

## **Accounts Receivable (2022/23)**

**Audit Sponsor:** Ashley Wilson, Head of Finance

**Audit Contacts:** Michelle Lockett, Controls Accountant , Sheryl Wood, Income Officer

February 2024

### **Reporting Timetable**

Debrief Meeting: 2/11/23

Draft Report Issued:  
20/12/23

Comments Received:  
06/2/24

Final Report Issued:  
22/2/24

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### **Disclaimer**

This report (“Report”) was prepared by Mazars LLP at the request of Hinckley & Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Hinckley & Bosworth Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A1 of this report for further information about responsibilities, limitations and confidentiality.

# Your One Page Summary

**Audit Objective:** To provide the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to Accounts Receivable

**Audit rationale**

<b>Why the Audit is in Your 2023/24 Plan</b>	<b>Your Strategic Risk</b>
Covering the adequacy and effectiveness of controls over the sundry debtor invoices	S.11 – Failure to successfully deliver the Medium Term Financial Strategy

**Summary of our opinion**

**Moderate Opinion**  
See Appendix A1 for definitions



**Summary of Recommendations**

<b>High Priority</b>	-	<b>Actions agreed by you</b>	<b>100%</b>
<b>Medium Priority</b>	1	<b>High Priority completion</b>	N/A
<b>Low Priority</b>	1	<b>Overall completion</b>	<b>March 2024</b>

**Summary of findings**

<b>Examples of good practice</b>	<b>Highest Priority Findings</b>	<b>Key root causes</b>
<ul style="list-style-type: none"> <li>✓ Documented policies and procedures are in place.</li> <li>✓ There is a KPI for debts over 90 days to not exceed 25%, it was noted that as at October 2023 this was 19.95%</li> </ul>	<ul style="list-style-type: none"> <li>• Debt recovery is not undertaken in accordance with the Debt Recovery Policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Recovery of debts had not been undertaken during Covid and had only been reinstated since January 2023.</li> </ul>

## 01 Summary Action Plan



Below is a high level summary of the actions that are intended to support your management of this risk area. Further detail about our findings, which have been discussed with management, are provided in our detailed action plan (see 03 Detailed Action Plan).

Ref	Recommendation	Priority	Owner	Due Date
1	Debt recovery action should be undertaken in accordance with the Debt Recovery Policy. Managers should be reminded of their responsibility for reviewing debts over 90 days and deciding action required.	Medium	Head of Finance, Accountancy Manager, Controls Accountant, Income Officer	31 <sup>st</sup> March 2024
2	Officers should ensure that an email is submitted for a debtor invoice to be raised for charges such as property management fees. This should be held securely on file.	Low	Controls Accountant	Immediate



## 02 Value for Money and Sector Comparison

Within each of our reports, we summarise any observations we have made about the effectiveness, efficiency and economy of your operations. This is to support our portfolio of public and social sector organisations with value for money considerations. We also summarise how you compare to similar organisations, which is intended to bring you the benefit of our insight.

Value for Money	Sector Comparison												
 <p>Value for Money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.</p> <p>Quarterly sundry debt reports are completed on a regular basis and submitted to the Finance &amp; Performance Scrutiny Committee by the section 151 officer.</p> <p>The outstanding balance for the period ending June 2022 was £2,228,160, this has reduced slightly for period ending June 2023 to £2,167,650.</p> <p>The current balance is broken down by age as follows:</p> <p>Credits, Refunds and Payments: £244,714</p> <table border="0"> <tr> <td>Not Yet Due:</td> <td>£184,361</td> </tr> <tr> <td>&lt; 30 Days:</td> <td>£726,666</td> </tr> <tr> <td>30 - 59 Days:</td> <td>£110,817</td> </tr> <tr> <td>60 - 89 Days:</td> <td>£25,914</td> </tr> <tr> <td>90 - 119 Days:</td> <td>£158,205</td> </tr> <tr> <td>&gt; 120 Days:</td> <td>£1,206,401</td> </tr> </table> <p>We have raised a recommendation regarding debt recovery not being undertaken in accordance with the Debt Recovery Policy which delays the recovery of the outstanding debts (<b>Rec 1</b>).</p>	Not Yet Due:	£184,361	< 30 Days:	£726,666	30 - 59 Days:	£110,817	60 - 89 Days:	£25,914	90 - 119 Days:	£158,205	> 120 Days:	£1,206,401	 <p>We have taken the findings from this audit and compared them to findings from other audits recently carried out at other Local Authority clients. Overall, controls are broadly similar.</p> <p>It was found that the controls in place at Hinckley &amp; Bosworth Council are broadly similar to those used across the sector, for example:</p> <ul style="list-style-type: none"> <li>• Hinckley &amp; Bosworth Council use the CIVICA Financials System</li> <li>• Policies and procedures are in place, however, sufficient evidence to support the invoice being raised is not always retained as per the documented procedures, and a recommendation has been raised to address this (<b>Rec 2</b>).</li> <li>• Management information is produced on a regular basis and reported to the Finance &amp; Performance Scrutiny Committee.</li> </ul>
Not Yet Due:	£184,361												
< 30 Days:	£726,666												
30 - 59 Days:	£110,817												
60 - 89 Days:	£25,914												
90 - 119 Days:	£158,205												
> 120 Days:	£1,206,401												

### 03 Detailed Action Plan

1 Debt Recovery	
Finding(s) and Risk	Recommendation(s)
<p>There is a Debt Recovery Policy in place which is currently being reviewed and updated.</p> <p>As part of the recovery process, after receipt of an invoice, the debtor should receive a first reminder after 14 days, a second reminder after 7 days and final letter after 7 days. However, the auditor was advised that the recovery of debts had been relaxed since Covid and had only been reinstated since the start of 2023.</p> <p>When the debt goes over 90 days an aged debtor list is sent monthly by the Income Team to the appropriate manager and it is their responsibility to review and decide the next course of action that should be undertaken. The auditor was advised that this is not always the case.</p> <p>The last sundry debt report submitted to the Finance &amp; Performance Scrutiny Committee on 4/9/23 for period ending 30/6/23 showed the overall sundry debt to be £2,167,650.</p> <p>From a sample of 10 outstanding debts it was found that:</p> <ul style="list-style-type: none"> <li>In one case no recovery action had been undertaken between 22/8/22 and 19/9/23 (00250025 - £5k). This has since been paid.</li> <li>In one case no action had been undertaken since 9/8/22 (00753537 - £4646.40))</li> <li>In two cases reminders had been sent between March &amp; May 2023 and then on 25/8/23. One case had been forwarded to the manager to determine what action was required (00524926 - £1298.50) and in the other an invoice was sent again (00233466 - £188.13)</li> </ul>	<ol style="list-style-type: none"> <li>A review of the cases identified should be undertaken.</li> <li>Debt recovery action should be undertaken in accordance with the Debt Recovery Policy.</li> <li>Managers should be reminded of their responsibility for reviewing debts over 90 days and deciding action required.</li> </ol>
	Root Cause(s)
	<p>Recovery of debts had not been undertaken during covid and had only been reinstated since January 2023.</p>

- In one case an invoice had been raised on 22/10/22 but no further action had been taken until 25/8/23 when the income officer had been requested to put recovery action on hold (00589039 - £2459.60)

**Risk and Impact:** Where debt recovery procedures in place are not followed there is a risk that Council debts will continue to rise. This could result in financial loss for the Council, as eventually debts may have to be written off.

**Management Comments / Agreed Actions**

The Controls Accountant and Income Officer have looked at improving the way the monthly reports are submitted and have also add a deadline for submission.

It has also been agreed that the Accountancy Manager, Controls Accountant and Income Officer will meet regularly to review the outstanding debts to determine actions required to resolve them.

The Head of Finance and Accountancy Manager are currently the recovery policy.

<b>Responsible Person</b>	Head of Finance, Accountancy Manager, Controls Accountant, Income Officer	<b>Action Due Date</b>	31/3/24
		<b>Priority Level</b>	<b>Medium</b>

2 Debtor Invoices			
Finding(s) and Risk		Recommendation(s)	
<p>In accordance with the procedure for raising debtor invoices it should be ensured that there is adequate evidence to support invoices being raised for charges such as property management fees. It is a requirement that an email is sent to the relevant officer to request that a debtor invoice is raised, and evidence retained to confirm this.</p> <p>From examination of 15 debtor invoices it was found that in one case a copy of the request to raise an invoice could not be located at the time of the audit. (00589592)</p> <p><b>Risk and Impact:</b> Invoices are incorrectly raised, leading to disputes and financial loss / Invoices are not raised in a timely manner, leading to payments not being received.</p>		<p>4. Officers should ensure that an email is submitted for a debtor invoice to be raised for charges such as property management fees. This should be held securely on file.</p>	
		Root Cause(s)	
		Officers are not aware of process for raising invoices.	
Management Comments / Agreed Actions			
It will be ensured that where required an email is received prior to an invoice being raised			
Responsible Person	Michelle Lockett Controls Accountant	Action Due Date	Immediate
		Priority Level	Low

## A1 Audit Information

### Agreed Audit Objective and Scope

The objectives of our audit were to assess whether Hinckley & Bosworth Borough Council has in place adequate and appropriate policies, procedures and controls in relation to Accounts Receivable with a view to providing an opinion on the extent to which risks in this area are managed. The audit considered the following risks relating to the area under review:

- Policies & Procedures
- Standing Data Amendments
- Raising Invoices
- Credit Notes
- Debt Recovery & Enforcement
- Write-offs
- Management Reporting

### Scope Limitations

In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control. Any testing performed was conducted on a sample basis. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

**Definitions of Assurance Levels and Recommendation Priority Levels**

Definitions of Assurance Levels	
Substantial Assurance	The framework of governance, risk management and control is adequate and effective.
Moderate Assurance	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited Assurance	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory Assurance	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations		
Priority 1 (High)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Priority 2 (Medium)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Priority 3 (Low)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	Remedial action should be prioritised and undertaken within an agreed timescale.

## Statement of Responsibility

We take responsibility to Hinckley & Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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A photograph showing three people in a meeting. A man in a dark blue shirt is on the left, gesturing with his hand. A woman in a white top is in the center, smiling. A woman in a blue denim shirt is on the right, looking towards the man. They are sitting in green chairs in a brightly lit room with orange and blue walls.

# Hinckley & Bosworth Borough Council: Internal Audit Draft Report **Procurement (2022/23)**

**Audit Sponsor:** Ashley Wilson, Head of Finance

**Audit Contacts:** Ilyas Bham, Accounting Manager

April 2024

## **Reporting Timetable**

Debrief Meeting: 29 January 2024

Draft Report Issued: 28 February 2024

Comments Received: 10 April 2024

Final Report Issued: 11 April 2024

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### Disclaimer

This report (“Report”) was prepared by Mazars LLP at the request of Hinckley & Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Hinckley & Bosworth Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A1 of this report for further information about responsibilities, limitations and confidentiality.

# Your One Page Summary

**Audit Objective:** To provide the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to Procurement

## Audit rationale

### Why the Audit is in Your 2022/23 Plan

To cover adequacy and effectiveness of controls related to the council’s approach to procurement.

### Your Strategic Risk

S.11 – Failure to successfully deliver the Medium Term Financial Strategy

## Summary of our opinion

### Moderate Opinion

See Appendix A1 for definitions



## Summary of Recommendations

<b>Priority 1 (High)</b>	-
<b>Priority 2 (Medium)</b>	4
<b>Priority 3 (Low)</b>	2

<b>Actions agreed by you</b>	<b>5</b>
<b>Overall completion</b>	<b>31 March 2025</b>

## Summary of findings

### Examples of good practice

- ✓ Purchase orders are appropriately approved
- ✓ Waivers have been appropriately approved by the Head of Finance

### Highest Priority Findings

- Contract award notices not published as per Public Contracts Regulations 2015 government guidance
- Supporting documentation related to contracts not provided / available such as copies of quotations and tender evaluation documents
- Waivers used for reasons that may be inappropriate

### Key root causes

- The council does not have a centralised procurement function in place or specialised procurement officers
- Contract Procedure Rules do not include sufficiently specific requirements and are not reviewed and updated regularly

## 01 Summary Action Plan



Below is a high level summary of the actions that are intended to support your management of this risk area. Further detail about our findings, which have been discussed with management, are provided in our detailed action plan (see 03 Detailed Action Plan).

Ref	Recommendation	Priority	Owner	Due Date
1	<p>Awarded contracts over £30,000 should be published on Contracts Finder promptly in line with PCR 2015.</p> <p>The council should undertake a review of contracts and retrospectively issue award notices where possible.</p>	Medium	<p>Julie Kenny</p> <p>Director of Corporate &amp; Streetscene Services</p>	N/A
2	<p>The contracts register should be reviewed and updated to include all relevant contract information.</p> <p>The contracts register should be updated on a quarterly, or monthly, basis and an officer should be assigned responsibility for undertaking the task.</p> <p>The council should develop performance indicators and undertake monitoring and reporting of procurement spend on a regular basis e.g. supplier aggregated spend.</p>	Medium	<p>Julie Kenny</p> <p>Director of Corporate &amp; Streetscene Services</p>	31/03/2025
3	<p>Waivers requested should refer specifically to the exemptions within the Contract Procedure Rules and an appropriate justification should be provided. For example, where a waiver is being sought due to the sole supplier exemption, evidence should be provided showing how this was determined e.g. market research undertaken.</p> <p>A report / list of waivers should be maintained and updated on a regular basis.</p>	Low	<p>Ashley Wilson</p> <p>Head of Finance (S151 Officer)</p>	31/03/2025
4	<p>The council should review and update the Contract Procedure Rules with reference to best practice from other councils / peers.</p>	Medium	<p>Ashley Wilson</p>	31/03/2025

	The council should assign responsibility to an officer for reviewing the Contract Procedure Rules on a regular basis (e.g. annually) to take account of legislation changes and this review should be documented.		Head of Finance (S151 Officer)	
5	Contract information, such as copies of signed contracts, quotations and tender documentation should be retained in a central location.  The council should review its current expenditure and contracts and ensure that formal contracts are in place with suppliers where necessary, and that existing contracts have been signed.	Medium	Julie Kenny  Director of Corporate & Streetscene Services	31/03/2025
6	The council should implement a training programme for officers responsible for undertaking procurements and contract management, such as by engaging a supplier to provide regular workshops / training.  Guidance / procedure documents should be produced detailing the whole procurement cycle and how officers should undertake contract management e.g. monitoring key performance indicators for contracts.	Low	Julie Kenny  Director of Corporate & Streetscene Services	31/03/2025

## 02 Value for Money and Sector Comparison

Within each of our reports, we summarise any observations we have made about the effectiveness, efficiency and economy of your operations. This is to support our portfolio of public and social sector organisations with value for money considerations. We also summarise how you compare to similar organisations, which is intended to bring you the benefit of our insight.

Value for Money	Sector Comparison
 <p>During the course of the audit, we have identified some potential areas of concern in regard to the council achieving best value for money during procurements, such as:</p> <ul style="list-style-type: none"> <li>The council does not regularly review areas of high spend to identify where a contract could be put in place and identify opportunities to improve value for money.</li> <li>Review of a sample of waivers found that in some cases, waivers have been used where there is not a clear link to requirements of the Contract Procedure Rules. The use of waivers can lead to reduced value for money in procurement as a competitive tendering process is not in place.</li> <li>The council does not have a centralised procurement function or specialised procurement officers in place, although consultants may be used for larger contracts. Developing a procurement function with procurement expertise may lead to greater savings over time.</li> </ul>	 <p>Every council adopts Contract Standing Orders, or Contract Procedure Rules, setting out how the council will deal with procurements. However, there are regulations in place such as the Public Contracts Regulations 2015 which must be followed. We compared Hinckley &amp; Bosworth Borough Council to other councils:</p> <ul style="list-style-type: none"> <li>From review of the Contract Rules for other councils, we found that other councils tended to have a more condensed list of exceptions / waivers and a clearer approval process. From review of the Financial Procedures, we also noted that the S151 Officer or the Chief Executive may authorise any order of any value if evidence has been provided that the Contract Rules have been complied with, whereas at peers, contracts in excess of £500k typically require approval of the Cabinet / Executive.</li> <li>We noted that the Financial Procedure Rules allow the S151 or Chief Executive to authorise orders of any value provided that they are satisfied that the Contract Procedure Rules have been complied with, whereas at other councils high value orders (e.g. above £500,000) typically require Council or Cabinet approval.</li> </ul>

### 03 Detailed Action Plan

We have identified areas where there is scope to improve the control environment. Our detailed findings are provided below. Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

1 Contract Award Notices	
Finding(s) and Risk	Recommendation(s)
<p>To comply with the Public Contracts Regulations 2015 (PCR 2015), where a contract over the value of £30,000 (inclusive of VAT) has been awarded, a contract award notice should be published on Contracts Finder within 90 days of the contract being awarded.</p> <p>According to the government Guidance on the Transparency Requirements for Publishing on Contracts Finder (PPN 01/23), a contract award notice should also be published where a contract has been awarded as a result of a Framework Agreement (e.g. mini competition or direct award) as well as contract awards that have not been openly competed such as where quotations have been sought or single tender action has been undertaken. This relates to regulation 108 1(b) of the PCR 2015 which states that the Council are required to publish information on Contracts Finder for contracts awarded based on a framework agreement.</p> <p>We selected a sample of 10 contracts over the value of £30,000 and reviewed the Contracts Finder website to determine whether a contract award notice has been published, however, we were unable to find award notices for any of the contracts that we sampled.</p> <p><b>Risk and Impact:</b> Contracts awards are not appropriately advertised leading to non-compliance with the Contract Procedure Rules and Public Contracts Regulations 2015.</p>	<ol style="list-style-type: none"> <li>1. It should be ensured that awarded contracts over the value of £30,000 are published on Contracts Finder promptly in line with PCR 2015.</li> <li>2. The council should undertake a review of contracts and retrospectively issue award notices where possible.</li> </ol>
	Root Cause(s)
	Lack of central or corporate procurement department and lack of specialist procurement officers to assist with procurements.
Management Comments / Agreed Actions	
It remains our belief that this requirement does not arise out of the PCR 2015, but it is government guidance. HBBC's Procurement Team, which is a shared service covering multiple councils, are unaware of any that follow this guidance. We do comply with requirements to publish opportunities on Contracts Finder (requirement of the PCR 2015) and we publish details of all Purchase Orders over £5,000 on a quarterly basis along with payments over	

£500 . This is in accordance with the transparency requirements. We would not be able to do complete this retrospectively as suggested as we do not have the resources and consider it inefficient use of resources to do so retrospectively.

<b>Responsible Person</b>	Julie Kenny	<b>Action Due Date</b>	N/A
	Director of Corporate & Streetscene Services	<b>Priority Level</b>	<b>Medium</b>

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2 Contracts Register			
Finding(s) and Risk		Recommendation(s)	
<p>According to the Local Government Transparency Code 2015, local authorities must publish details of contracts above the value of £5,000 on a quarterly basis. The council has a contracts register available on its website dated to May 2023. However, this only includes 14 contracts in total.</p> <p>We selected a sample of 10 contracts in order to determine whether they have been included within the contracts register and found that none of the samples have been included within the contracts register.</p> <p>Additionally, we were provided with the 2022-23 spend analysis and reviewed aggregate / total spend with each supplier over the period. We found 576 suppliers where aggregate spend had exceeded £5000, which is above the minimum threshold required by the Local Government Transparency Code 2015 to publish on a quarterly basis.</p> <p>We also noted that there is no specific central monitoring of procurements, such as to detect non-compliant and off contract spend or aggregated spend with suppliers going over procurement limits.</p> <p><b>Risk and Impact:</b> The council does not publish all required contracts on a quarterly basis leading to a lack of transparency and non-compliance with the Local Government Transparency Code 2015.</p> <p>The council is unaware of the level of off contract and non-compliant procurement spend leading to non-compliance with the Contract Procedure Rules and Public Contract Regulation 2015.</p>		<ol style="list-style-type: none"> <li>The contracts register should be updated on a quarterly, or monthly, basis and an officer should be assigned responsibility for undertaking the task.</li> <li>The contracts register should be reviewed and updated to include all relevant contract information.</li> <li>The council should develop performance indicators and undertake monitoring and reporting of procurement spend on a regular basis e.g. supplier aggregated spend.</li> </ol>	
		Root Cause(s)	
		Lack of centralised oversight to collate and report contract information.	
Management Comments / Agreed Actions			
As mentioned above, we do publish all Purchase Orders over £5,000 so arguably some of this requirement has been met. HBBC agree we can work on publishing the contracts register although we are unclear on the other recommendations around performance indicators and what value they would bring. We are not a large authority with areas of spend for aggregation.			
Responsible Person	Julie Kenny	Action Due Date	31 March 2025

**3 Waivers from Contract Procedure Rules**

**Finding(s) and Risk**

In line with the Council's Contract Procedure Rules, for contracts estimated to have a value of over £50,001, a competitive procurement process is required. However, the Contract Procedure Rules also set out a number of exceptions from the requirement to invite tenders. Typically, authorisation by the Head of Finance and / or a report must be submitted to the Senior Leadership Team in order to approve a waiver request.

As a report listing all waivers approved in year could not be provided, we reviewed a sample of eight recent waivers processed to confirm that they had been appropriately approved and are in compliance with the Contract Procedure Rules. All 8 had approved waivers in place.

In four out of eight cases, we found that the waiver request was submitted by a specialist procurement consultant associated with the development of Twycross Zoo. In these cases, a number of suppliers were approached and assessed directly by the specialist procurement consultant rather than advertising and publishing the invitation to tender publicly. These contracts included a building engineering services consultant (£215k), net zero consultant (£90k), principal designer (£45k) and civil and structural engineering consultant (£156k). The same reasons for waivers being required were provided in all four cases:

- Programme constraints / delays
- Specialist works and requires consultants with experience with similar works

**Recommendation(s)**

6. It should be ensured that waivers requested refer specifically to the exemptions within the Contract Procedure Rules and an appropriate justification is provided. For example, where a waiver is being sought due to the sole supplier exemption, evidence should be provided showing how this was determined e.g. market research undertaken.
7. A report / list of waivers should be maintained and updated on a regular basis.

**Root Cause(s)**

There are too many potential exceptions from the Contract Procedure Rules, and the exceptions are too broadly applicable to different scenarios.

- Availability and capacity of consultants
- Proven track record of project delivery
- Professional indemnity of £10m known to be in place

The above reasons did not refer directly to specific exceptions within the Contract Procedure Rules. Although there is an exception for sole suppliers for specialist works within the Contract Procedure Rules, it is unclear that the works were of a uniquely specialist nature where there would be no genuine competition.

In another case, relating to a waiver for the procurement of a fitness instructor (£11k), we noted that specific referral to exceptions within the Contract Procedure Rules was provided:

- Appropriate SLT member is of the opinion that goods or services are supplied only at a fixed price and no reasonably satisfactory alternative is available
- There would be no genuine competition on account of the uniquely specialised nature of the goods / services (sole supplier)

The waiver request was submitted to the Head of Finance and approved.

Upon review of the waivers, we were unable to understand the specific reasons for their approval. For example, all four of the above waivers relating to Twycross Zoo included identical wording as reasons for the waiver being required, despite being submitted for a range of services. The specialist nature of the work was given as a reason to not advertise, as there would be no genuine competition. However, no evidence was provided as to what the specialist work was, and why this would mean there would be no genuine competition. For the waiver provided in relation to the fitness instructor, the request stated a reason being that the instructor had a specialist qualification meaning that there would be no genuine competition. However, the name of the qualification was not included. Neither was an explanation as to why this would lead to no genuine competition e.g. why no one else would have it. Further explanations and rational in

support of the waivers were provided to us by the Head of Finance. In future the details and justification for the need of a waiver should be included in the submission to ensure clarity around why the waiver has been approved.

**Risk and Impact:** The use of waivers which are not compliance with the Contract Procedure Rules results in the inability to demonstrate best value and potential non-compliance with statutory requirements.

**Management Comments**

The four main waivers referred to are on a construction project for an Orangutan enclosure and associated science research facilities, which in my view clearly fall into the more specialised area. These waivers were not to go with a sole supplier and were tendered and scored these four suppliers which you have seen in the very long wavier document that has quite a lot of information in compared to a standard wavier. Therefore, there has been competition and VFM obtained.

Sometimes situations occur where they do not neatly fit in with the exact wording of the constitution, and a decision has to be made to follow the spirit if good practice it contains. The constitution notes, that “where the procuring officer seeks to utilise alternatives, the council’s Procurement Officer should be consulted “and that the “most economically advantageous tender should be selected where procurement rules provide.”. This was complied with; the only issue being requested was that as they had contacts they had worked with before and knew could comply could the waive the normal need for an open advertisement.

The reasons for the request given by the Zoo were:

1. Programme Constraints/Delays – The project programme which was included in the Levelling Up Funding Bid, was already in delay due to the late notification of the funding award i.e. appointing key consultants should have commenced in August 2021. However, this did not commence until December 2022.
2. Specialist Works - The works were of a specialist nature and therefore it was vitally important that the choice of consultants was paramount to the successful delivery of the project i.e. choosing consultants who had experience of this type of works.
3. Availability – COVID-19 and Brexit have had a profound impact on the construction industry, especially in the consultant sector, leaving many businesses with reduced resource capability at a suitable grade level. Therefore, we approached consultants who we knew currently had capacity and suitable level of resource to manage the constraints and complexities during the life cycle of the project.

4. Proven Track Record – We approached consultants that we knew had a proven track record of project delivery at Twycross Zoo, or in the zoo or leisure sector.

5. Professional Indemnity – It was a condition of appointment that design consultants used on the NSCC Project could provide a minimum of £5 million pounds of Professional Indemnity. Therefore, we approached consultants who confirmed they already had this in place, and this would be offered as part of any formal appointment.

It was the view of the S151 officer, that this was a unique situations and in the interests of HBBC and ensuring the project was moving forward, on balance, it was felt it met the spirit of the wavier requirements of the constitution.

The self-employed fitness instructor is a new creditor, supporting the delivery of the Lets Get Moving Sport & Physical Activity Commissioning Plan. The payment (£10.8k) of this project work is 100% via the public health grant (external grant) and monies are aligned in Exercise Referral for this. The instructor is self-employed and a compliance check has been completed. The project work for 2023/24 needs completing as aligned to our plan commitment and associated expenditure. This cannot sit with an extension to, or new recruitment of a member of staff due to the uncertainty on funding from 2024 onwards.

It was the view of Cultural Services that the instructor had specialist qualifications allowing her to instruct classes on HBBC’s behalf. This assurance was accepted as suitable as they have expertise in this area. For the value of £5,001 to £20,000 it just means one of two written quotations were not obtained.

Waivers will continue to be reviewed and sent to the procurement officer as required.

Other than assisting auditors it is unclear what benefit there is to a register of waivers as any individual wavier can be retrieved when needed.

<b>Responsible Person</b>	Ashley Wilson	<b>Action Due Date</b>	31 March 2025
	Head of Finance (S151 Officer)	<b>Priority Level</b>	<b>Low</b>

4 Contract Procedure Rules				
Finding(s) and Risk		Recommendation(s)		
<p>The Contract Procedure Rules set out the procedures by which the council should enter into contracts for the provision of goods, services, materials and works, and was last reviewed in April 2023. From review of the Contract Procedure Rules we identified a number of weaknesses, such as:</p> <ul style="list-style-type: none"> <li>There is no reference to the requirement to publish the award of contracts on Contracts Finder and Find a Tender which is a requirement of the Public Contracts Regulations 2015 following the UK exit from the EU and the Contracts Register, which is a requirement of the Local Government Transparency Code 2015.</li> <li>There is no reference to how contract values should be estimated, such as including whole life costs and ensuring that there is no artificial splitting of contracts.</li> <li>There are 17 different reasons for exceptions or waivers from the requirement to tender with differing requirements for approval and reporting, rather than a simplified process such as requiring approval and a report to SLT for all exceptions / waivers.</li> <li>There is no reference to how many tenders are required to be invited when undertaking a competitive tender process e.g. at least three tenders to be considered.</li> </ul> <p><b>Risk and Impact:</b> The Contract Procedure Rules contain insufficient and / or outdated guidance to staff undertaking procurements leading to inappropriate procurements taking place and non-compliance with the Public Contract Regulations 2015.</p>		<p>8. The council should review and update the Contract Procedure Rules with reference to best practice from other councils / peers.</p> <p>9. The council should assign responsibility to an officer for reviewing the Contract Procedure Rules on a regular basis (e.g. annually) to take account of legislation changes and this review should be documented.</p>		
		Root Cause(s)		
		<p>The council has not designated responsibility for regularly reviewing the Contract Procedure Rules which may lead to a lack of accountability towards keeping the Contract Procedure Rules updated.</p>		
Management Comments / Agreed Actions				
<p>We will consider this for the next constitution update as amended as considered necessary</p>				
Responsible Person	<p>Ashley Wilson Head of Finance (S51 Officer)</p>		Action Due Date	<p>31 March 2025</p>
		Priority Level	<p>Medium</p>	

5 Contract Documentation	
Finding(s) and Risk	Recommendation(s)
<p>The council does not have a corporate procurement department. Directors are responsible for procurements within their respective departments, and Service Managers within these departments undertake procurements. However, for larger or complex procurements, the council may use a specialist procurement consultant to undertake the tendering process. Due to this, departments hold contract information such as the signed contract and tender documentation, and the information is not held in a central location where it can be readily reviewed.</p> <p>The total spend by each supplier over the last 2 financial years was reviewed, and a sample of 10 suppliers where the expenditure exceeded the £50k threshold was obtained. We requested supporting information such as the signed contracts, quotations received and tender evaluation documentation and found the following:</p> <ul style="list-style-type: none"> <li>• 2/10 – the copies of original quotations received have not been retained (Xeretec Office Systems, Sunrise Software Ltd)</li> <li>• 1/10 – the quotation or tender evaluation documentation has not been retained, such as tender evaluation spreadsheets (Xeretec Office Systems)</li> <li>• 1/10 – an agreement / contract with the supplier was provided however not signed by the council (Xeretec Office Systems)</li> <li>• 1/10 – a competitive procurement process was undertaken in 2020, however due to Covid-19 disruption the contract was not awarded (J&amp;F Powner Ltd)</li> </ul> <p><b>Risk and Impact:</b> The council does not maintain adequate records of previous procurement activities and is unaware of what contracts are currently in place.</p>	<p>10. Contract information, such as copies of signed contracts, quotations and tender documentation should be retained in a central location.</p> <p>11. The council should review its current expenditure and contracts and ensure that formal contracts are in place with suppliers where necessary, and that existing contracts have been signed.</p>
	Root Cause(s)
	<p>Lack of central oversight of procurement.</p>
Management Comments / Agreed Actions	

Purchasing is devolved in our organisation and is the responsibility of each budget holder / manager and we believe the retention of all documentation should remain their responsibility. We do already have a procurement function in place which is delivered by the Weiland Shared Service.

We are going to move to all contract being sent to legal services to be held on file.

<b>Responsible Person</b>	Julie Kenny	<b>Action Due Date</b>	31 March 2025
	Director of Corporate & Streetscene Services	<b>Priority Level</b>	<b>Medium</b>

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6 Procurement & Contract Management Training			
Finding(s) and Risk		Recommendation(s)	
<p>Directors are responsible for procurements within their respective departments, and Service Managers within these departments undertake procurements. A specialist procurement consultant may be used to assist with more complex procurements.</p> <p>Although there are Contract Procedure Rules in place, these do not go into sufficient detail on undertaking procurements and contract management (see recommendation 4).</p> <p>Additionally, we found that there is not a formal or structured training programme in place for officers responsible for undertaking procurements and contract management, and we were not provided with evidence showing that guidance is in place.</p> <p><b>Risk and Impact:</b> Officers responsible for undertaking procurements and contract management do not have sufficient training leading to procurements that are non-compliant with the Contract Procedure Rules and Public Contracts Regulations 2015.</p>		<p>12. The council should consider the cost v benefit of implementing a training programme for officers responsible for undertaking procurements and contract management, such as by engaging a supplier to provide regular workshops / training.</p> <p>13. Guidance / procedure documents should be produced detailing the whole procurement cycle and how officers should undertake contract management e.g. monitoring key performance indicators for contracts.</p>	
		Root Cause(s)	
		No specialist procurement officers leads to lack of ability to provide procurement training and advice.	
Management Comments / Agreed Actions			
This is already in hand and a programme is being developed by the Welland Shared Service.			
Responsible Person	Julie Kenny Director of Corporate & Streetscene Services	Action Due Date	31 March 2025
		Priority Level	Low

## A1 Audit Information

### Agreed Audit Objective and Scope

The objectives of our audit were to assess whether Hinckley & Bosworth Borough Council has in place adequate and appropriate policies, procedures and controls in relation to Procurement with a view to providing an opinion on the extent to which risks in this area are managed. The audit considered the following risks relating to the area under review:

- Governance framework compliance
- Value for money
- Procurement planning

### Scope Limitations

In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control. Any testing performed was conducted on a sample basis. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

## Definitions of Assurance Levels and Recommendation Priority Levels

Definitions of Assurance Levels	
Substantial Assurance	The framework of governance, risk management and control is adequate and effective.
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Limited Assurance	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory Assurance	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations		
Priority 1 (High)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Priority 2 (Medium)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Priority 3 (Low)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	Remedial action should be prioritised and undertaken within an agreed timescale.

## Statement of Responsibility

We take responsibility to Hinckley & Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Hinckley & Bosworth Council – Internal Audit Report  
**Statutory Property Compliance 2022/23**

April 2024

**Final Report**

**mazars**

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## ***Disclaimer***

This report (“Report”) was prepared by Mazars LLP at the request of Hinckley and Bosworth Council and terms for the preparation and scope of the Report have been agreed upon with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Hinckley and Bosworth Borough Council, and to the fullest extent permitted by law, Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpreted, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpreted, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A3 of this report for further information about responsibilities, limitations, and confidentiality.



## 01 Introduction

As part of the 2022/23 Internal Audit Plan for Hinckley and Bosworth Borough Council (the 'Council'), we have undertaken a review of Statutory Property Compliance. The objectives of the audit were to evaluate the adequacy of the system of internal controls in place to oversee and manage statutory property compliance. As part of the review, we conducted data integrity tests on key compliance areas. See Appendix A2 for details and results of the testing.

We are grateful to the Property Compliance Officer and Housing Repairs Manager and all other staff interviewed for their assistance during the audit.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the review. Such matters have been discussed with the relevant staff.

## 02 Background

The Council manages more than 3,100 properties. The Health and Safety Arrangements for Management of Buildings and Equipment acts as the overarching policy. There are other departmental and council-wide policies and procedures for individual compliance areas (gas, electrical, asbestos, water, and fire).

The Repairs Department is responsible for the day-to-day management of statutory property compliance except for Fire Risk Assessments (FRAs) and lift servicing. The repairs team is led by the Head of Housing who oversees the Property Compliance Officer and Housing Repairs Manager. The Corporate Health and Safety Officer is the competent person for fire safety and the Housing Assets & Support Teams Manager is responsible for implementing the Fire Safety Policy. The Corporate Health and Safety Officer is also responsible for lift compliance.

External contractors are used in varying degrees for each compliance area:

- Farrendale Ltd for electrical re-wires, remedials and testing
- Second Element for legionella testing
- European Asbestos/Groundcare for asbestos' removal

- SGS for asbestos' testing
- Novus Solutions for FRA Works
- Gap Services/GW Throop for Lifts' (General Dwelling) installation and service
- PH Jones for gas servicing and maintenance

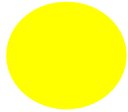
In-house compliance staff are hired using job descriptions that clarify requirements and qualifications/certificates. To track compliance, the Council uses Microsoft Excel spreadsheets, MRI (the Housing Management system) and contractor databases. To improve processes for statutory property compliance, the Council purchased specific compliance management software, The Compliance Workbook (TCW), in October 2022 and was in the process of implementation at the time of audit.

The Senior Leadership Team (SLT) receives quarterly reports containing a dashboard as an appendix which shows Council Housing Compliance. Performance reporting in the dashboard from the year 2022-2023 is as follows:

Area	Q2	Q3	Q4
Communal Legionella testing	100%	100%	100%
Communal Legionella remedial works	100%	100%	100%
Asbestos surveys	97.69%	97.69%	97.98%
Gas servicing	July: 99.86% August: 100% September: 100%	October: 99.86% November: 100% December: 99.93%	January: 100% February: 100% March: 100%
Electrical testing - General dwelling	97.21%	97.21%	97.86%
Communal electrical testing	100%	100%	100%
Communal FRA's	100%	100%	100%
Communal FRA remedial works	No figures were reported. A comment was provided instead stating the following: "FRA remedial works carried out as required and FRAs and Corporate H&S Officer updated."		

## 03 Key findings

### Assurance Rating



Moderate Assurance

### Rationale

Based on the agreed scope and rating criteria (see **Appendix A1** for the detailed scope and definitions of the assurance ratings), there is **Moderate** assurance over the system of internal control evaluated.

The Council has identified improvements to the reliability of compliance data and purchased compliance management software, The Compliance Workbook (TCW), in October 2022. We were advised that the implementation of TCW will resolve a number of the recommendations raised in the report. We have taken into consideration the Council's awareness of improvements and their initial steps towards implementing new systems when giving the opinion.

Since the audit, we were advised that TCW is now fully implemented for the areas of gas compliance, asbestos management and electrical safety. Testing of TCW will be completed as part of our follow-up work to assess whether it has addressed the recommendations raised.

Further detail regarding the recommendations is in **Section 04** and a summary of key observations is included below.

Priority	Number of Recommendations
High	-
Medium	7
Low	-
<b>TOTAL</b>	<b>7</b>

### 3.1 Examples of areas where controls are operating reliably

- The Corporate Health and Safety Officer is the competent individual named for fire safety. We were provided with a certificate from the Institute of Fire Safety Managers which confirms the Corporate Health and Safety Officer is a member of the Institute of Fire Safety Managers at Technician Grade.
- The Council uses the following contractors selected from Efficiency East Midlands Framework:
  - Farrendale Ltd for electrical re-wires, remedials and testing
  - Second Element for legionella testing
  - European Asbestos/Groundcare for asbestos' removal
  - SGS for asbestos' testing
  - Novus Solutions for FRA Works
  - Lift engineering services (General Dwelling) installation and service

We reviewed EEM Framework's website and confirmed it stated that EEM carries out pre-vetting and due-diligence processes to provide assurance that EEM will select suitably qualified and accredited, financially stable providers with trusted references and relevant sector experience.

- A dashboard detailing compliance in respect of gas, FRAs, legionella and electrical is presented to the Senior Leadership Team every quarter. The reports contain a section which details actions to achieve or maintain compliance. We confirmed this section had been completed for all areas for Q2, Q3 and Q4 of 2022/23. For example, 97.86% compliance was reported for Electrical testing (General Dwelling) in Q4 2022/23. A further action was recorded to improve performance in relation to no access properties. (N.B. We have raised a number of recommendations in relation to underlying data quality in Section 04 below).

### 3.2 Risk Management

We reviewed the Council's Risk Register and found the following risk relating to health and safety and data management: *S.16 Failure to adhere to Health and Safety Legislation/Regulations.*

Mitigations listed include quarterly H&S reports and frequent reporting to the SLT. We have raised a recommendation in Section 04 in relation to H&S reports as the Council does not report on how many remedial actions are open per priority level across the compliance programme. In addition, there is no reporting on lift compliance.

It is our view that the current internal controls in place at the Council in respect of statutory property compliance are inadequate. We have raised multiple recommendations in Section 04.

### 3.3 Value for Money

Across the sector, we note that a majority of organisations utilise their housing management systems for statutory property compliance, but we are increasingly seeing a move towards use of the asset management system. The Council uses ProMaster as its asset management system, however, the system is not up to date with asset components and there are discrepancies between data held across the Council. To improve processes for statutory property compliance, the Council has purchased specific compliance management software, The Compliance Workbook (TCW), in October 2022.

At the time of the audit, spreadsheets were used for LGSRs, FRAs and electrical inspections to manage statutory property compliance. Where spreadsheets are used, it is standard practice for reconciliations against other available data sources to be undertaken to confirm the spreadsheets are complete and contain all locations where the Council is responsible for risk management and compliance. We noted that reconciliations to the housing management system, MRI, are not consistently being carried out for each compliance area. There are no set timings or procedures which indicate how often reconciliations should be carried out and how. There is a risk that missing properties from the statutory compliance programme are not identified.

Our data analysis work identified discrepancies in the data held in the spreadsheets. In addition, the compliance programmes available for us

to review did not have all the data required to be able to effectively monitor the programme. We have included examples of what data should be captured in programmes in Appendix A4.

We were advised that the implementation of TCW will resolve a number of the recommendations raised in the report.

### 3.4 Sector Comparison

Robust performance monitoring is key in order to enable the Board to maintain sufficient scrutiny over the management of the relevant risk.

In peer organisations, the Board receives consistent standard reporting on statutory property compliance on all of the big six compliance areas. Common indicators reported to the Board at peers include:

- Completion of fire risk actions.
- Percentage of properties not surveyed for electrical safety within last 5 years; and
- Percentage of lifts with an in-date thorough inspection.

A quarterly H&S report is presented to the SLT at the Council; however, we note that figures for completion of fire risk actions are not included nor is there any information reported on lift compliance.

We have included a recommendation on reporting in **Section 04** of this report and provided an example reporting scorecard used at a client in **Appendix A3**.

## 04 Areas for further improvement and action plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management. The recommendations are detailed in the management action plan below.

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Statutory Compliance Data Quality</b></p> <p>The Council has identified improvements to the reliability of compliance data and purchased compliance management software, The Compliance Workbook (TCW), in October 2022. At the time of the audit, the software was not operational, and spreadsheets were used to monitor compliance.</p> <p>We noted that regular reconciliations do not take place between all the compliance spreadsheets or contractor records and the Council's housing system, MRI, and asset management system, Promaster. We see this as standard practice where spreadsheets are used to manage property compliance and mitigates the risk of missing properties from programmes. The Council uses spreadsheets for LGSR, FRAs and electrical inspections to manage statutory property compliance. The Council does not have its own spreadsheets to monitor the programme for lifts, water risk assessments and asbestos programmes and decided to use contractor's data/systems. These are also not regularly reconciled.</p>	<p>The Council should:</p> <ul style="list-style-type: none"> <li>As planned, seek to move away from spreadsheets and implement automation in processes for statutory compliance.</li> <li>Complete an exercise to cleanse the data in Promaster so there is an accurate list that can be fully reconciled to the compliance spreadsheets and contractor databases (and later TCW). The properties identified as missing during the audit from ProMaster should be investigated.</li> <li>Regularly reconcile information in TCW against ProMaster and other external contract portals. Consistently use UPRNs across the compliance spreadsheets (and TCW when operational for all compliance areas) and contractor databases.</li> </ul>	Medium	<p>At the time of the audit, and since the audit's findings, work has been underway to ensure that data held is centralised. This is via the compliance work book.</p> <p>Recommendations from the audit are noted, and evidence is supplied to demonstrate work already completed.</p>	<p>TCW is now in operation for the gas, asbestos and electrical compliance areas.</p> <p>TCW is expected to be in operation within the next six months for lifts, water testing and fire risk assessments. (September 2024)</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>UPRNs are not consistently used across the registers which makes reconciliations difficult and time consuming.</p> <p>As part of the review, we conducted data integrity tests across the compliance areas. We identified a high number of discrepancies in the data reviewed. For example, properties recorded in the compliance spreadsheets which are not listed in Promaster. We understand that Promaster is not up to date to include all assets.</p> <p>Please see Appendix A2 for details and results of the testing.</p> <p><i>Risk: Programmes do not include all properties that require inspection leading to the Council being unaware of the properties which are overdue for a service. Properties are missed which puts tenant safety at risk.</i></p>				
4.2	<p><b>Lift safety policy, register and KPIs</b></p> <p>We were advised by the Corporate Health and Safety Officer that there is no lift inspection and maintenance programmes and the Council does not keep any records on which properties have lifts and the type of lift. There are no KPIs on compliance requirements for lifts. The Council were unable to provide a list of lifts in operation.</p> <p>In addition, the Council does not have a policy or procedure relating to lift safety. Lift safety is referenced in Appendix 1 of the 'Management</p>	<p>The Council should:</p> <ul style="list-style-type: none"> <li>Urgently confirm the lifts in existence and whether servicing and thorough examinations are up to date.</li> <li>Develop a Lift Safety Policy which includes the responsibilities of the SLT, Management and operational Team. It should state how lifts will be monitored, serviced and maintained.</li> </ul>	Medium	<p>An interim arrangement has been put in place for lifts whilst TCW is implemented.</p> <p>This is part of wider compliance, and it is felt that the detail regarding lifts should be included in an overarching policy around compliance.</p>	<p>Complete</p> <p>6 months</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>of Buildings and Equipment Health and Safety Arrangements' Policy. It only stated that Lifts should have a thorough examination six monthly by engineer surveyor (insurance company) and servicing and maintenance six monthly.</p> <p><i>Risk: Lifts are not registered, serviced, and maintained according to regulation leading to the Council being in breach of lift safety regulations.</i></p>	<p>Furthermore, it should state how compliance will be reported on.</p> <ul style="list-style-type: none"> <li>Establish a lift servicing register to be able to monitor the lift programme. We have included a template register in Appendix A4.</li> <li>Develop KPI's on compliance requirements for lifts and report these to SLT.</li> </ul>		<p>Agreed. TCW will be used.</p> <p>Agreed</p>	<p>6 months</p> <p>3 months Clive Taylor</p>
4.3	<p><b>Compliance databases</b></p> <p>We reviewed the structure of the current compliance databases provided and noted:</p> <p><b>FRAs</b></p> <p>We reviewed the FRA register and noted 15 out of the 26 buildings listed did not have full dates recorded in the 'last FRA Completed' and 'next full FRA due'. Only the month and year were recorded, not the day of the month.</p> <p><b>Asbestos</b></p> <p>The Council does not have its own asbestos programme list but uses the contractor's programme list. The contractor's list provided to the Council does not detail when the next survey is due nor whether the property contains asbestos or not.</p> <p><b>Legionella</b></p> <p>The Water Risk Assessment (WRA) Register has not been reviewed since 2020. The spreadsheet does not indicate the status of the</p>	<p>The Council should:</p> <ul style="list-style-type: none"> <li>Until TCW is implemented, update compliance spreadsheets include specific dates of assessments and due dates (DD/MM/YYYY). We have included example template registers for different compliance areas in Appendix A4. Specific dates should be used in TCW when operational;</li> <li>Hold its own asbestos register which includes which properties have identified or presumed asbestos and action to be taken as per the survey (monitor, remove etc);</li> <li>Urgently review the Water Risk Assessment Register and ensure that water related testing has been undertaken in line with the</li> </ul>	Medium	<p>The council does not accept that findings in relation to FRAs are unsatisfactory. 100% of buildings that require a FRA are complete. The TCW system will be used to record completed FRAs for future monitoring, work is underway to achieve this.</p> <p>We have now formulated an asbestos register within TCW.</p> <p>Refreshed water risk assessment register.</p>	<p>Clive Taylor 6 months</p> <p>Complete, Gary Upton.</p> <p>Completed. Gary Upton</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>remedial actions. We have included an example of a Remedials Tracker in Appendix A4.</p> <p>We also identified 10 blocks included in the WRA Register which do not have a water taken recorded on Promaster.</p> <p><b>EICR</b></p> <p>We reviewed the “EICR – 23-24 programme cross-check – March 2023” spreadsheet and noted that it lists the properties that the Council monitors for EICR, however, it is not an EICR programme as it does not include whether the EICR is ‘satisfactory’ or ‘unsatisfactory’ and the next due date. We were advised that development of an EICR programme was underway. We have included a template of an EICR register in the Appendix A4. We understand that the implementation of TCW will address the findings raised.</p> <p><i>Risk: The Council does not identify properties next due for a risk assessment. Assessments and resulting actions are missed putting tenants at risk.</i></p>	<p>Legionella Risk Assessments; and</p> <ul style="list-style-type: none"> <li>As planned, develop an EICR register to be able to monitor results of the programme (a compliant or non-compliance EICR) and further action to be taken.</li> </ul>		<p>We are in discussions with the Legionella contractor to forward testing evidence directly to HBBC so we can manage performance, risks actions inhouse. Data will be uploaded into TCW software for compliance monitoring.</p> <p>Completed EICR now uploaded onto TCW, unsatisfactory testing will be flagged and monitored through this system. At the time of the audit, it was explained that this was in process.</p>	<p>Gary Upton, 6 months</p> <p>Complete, Gary Upton</p>
4.4	<p><b>Gas database reconciliations</b></p> <p>We reconciled a report from the gas contractor ‘PHJ Service Report Last 12 Months’, to the LGSR Programme held by the Council. We identified 88 UPRNS recorded in the contractor’s database’s report which were not present in the Council’s gas data. Management</p>	<p>Management should:</p> <ul style="list-style-type: none"> <li>Investigate the remaining 80 properties in the contractor’s servicing list to confirm they require other servicing completed by PH Jones.</li> <li>Export properties requiring gas servicing from the PH Jones</li> </ul>	Medium	<p>This was reviewed. These are non gas properties, identified by contractor.</p> <p>Since the audit we are reconciling data against the contractor.</p>	<p>Complete, Gary Upton</p> <p>Complete, Gary Upton</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>investigated a sample of eight which had the following reasons for omission:</p> <ul style="list-style-type: none"> <li>Two properties were missing as they were sold and were noted as such in the contractor's database.</li> <li>One property was Solid Fuel Heating</li> <li>Five properties were Electric – Air Source Heat Pump</li> </ul> <p>We were advised that gas, air source heat pump, and solid fuel are all under the same contract with PH Jones. The report from PH Jones does not differentiate in the type of service/check completed.</p> <p>We identified five properties recorded in the Council's LGSR programme but were not recorded in the contractor's database. This was because the contractors report only shows servicing in the last 12 months. We confirmed that these five properties were included within the PH Jones portal. It was identified in the audit that a report of all properties which require gas servicing can be extracted from the PH Jones portal. This is not being used by the Council to reconcile at present.</p> <p>We also reconciled the Council's gas database to the housing management system, MRI, and identified two properties not recorded in the gas programme:</p> <ul style="list-style-type: none"> <li>2030180500 was on the LGSR schedule but there was a wrong UPRN which since our finding it has since been rectified.</li> </ul>	<p>portal on a monthly basis and reconcile to the database held by the Council.</p> <ul style="list-style-type: none"> <li>Complete regular reconciliations between the LGSR programme and MRI.</li> </ul>			



Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<ul style="list-style-type: none"> <li>2020250450 the property was accidentally deleted from the LGSR schedule but has since been reinstated.</li> </ul> <p><i>Risk: The contractor's database is outdated and does not include all properties that require gas servicing and safety inspection. Programmes do not include all properties that require inspection leading to Hinckley and Bosworth BC being unaware of the properties which are overdue for a service.</i></p>				
4.5	<p><b>Statutory property compliance governance</b></p> <p>The Council has a Management of Buildings and Equipment Health and Safety Arrangements Policy, last reviewed in September 2022 by the Corporate Health and Safety Officer. This is the overarching policy for statutory property compliance.</p> <p>We reviewed the Policy and noted it does not outline the governance structure for managing statutory property compliance and the reporting structure including who has overall responsibility for statutory property compliance.</p> <p>There is no document which outlines the statutory property compliance responsibilities of the SLT and managers, and operational team.</p> <p>Furthermore, we noted that the overarching policy also does not state the Policy's approval requirements and the frequency of review/approval is not stated.</p>	<p>The Council should include a section on the responsibilities of the Senior Leadership Team and Management, outline who has overall responsibility for statutory property compliance and outlining the reporting structure.</p> <p>The Council should ensure that responsibility for each statutory property compliance areas is covered, and the relevant staff member is aware of the responsibilities including reporting. Furthermore, the Council should ensure information on Policy review and approval process is stated within the Policy as well as who is responsible for reviewing and approving it.</p> <p>The Council should ensure the Policy communicated to staff.</p>	Medium	Agreed. This is already recognised in relation to recently imposed legislation.	Clive Taylor 3 months

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<i>Risk: Lack of strategic approach and accountability to managing statutory property compliance resulting in inefficient practices. Furthermore, lack of consistent policy reviews and approval might result in Management following outdated practices.</i>				
4.6	<p><b>Review of policies and procedures</b></p> <p>In addition to the Management of Buildings and Equipment Health and Safety Arrangements' Policy, the following policies and procedures are in place for electrical, gas, legionella and fire safety:</p> <ul style="list-style-type: none"> <li>• Achieving 100% EICR Compliance (Repairs Department Policy)</li> <li>• Health and Safety Arrangements for Electrical Safety</li> <li>• Achieving 100% Gas LGSR Compliance (Repairs Department Policy)</li> <li>• Health and Safety Arrangements for Legionella Management</li> <li>• Prevention of legionella in void properties</li> <li>• Fire Risk Management Policy</li> <li>• Arrangements for Managing Asbestos</li> <li>• Draft Asbestos Management New Guidelines and Process</li> </ul> <p>We reviewed these documents and noted that asbestos, legionella and fire policies are organisation-wide policies, whilst the gas and electrical policies are only for the Repairs Department's use. The Asbestos Management New Guidelines and Process is currently in draft format.</p>	<p>Management should ensure that there is consistency in the information provided in each compliance-related policy and procedure. This should include approval and review processes.</p> <p>Policies and procedures should all have version control.</p>	Medium	Agreed and will put in place review processes within the statutory compliance group.	Complete. Clive Taylor. Evidenced by minutes

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>The organisation-wide policies are updated by the Corporate Health and Safety Officer. These contain an introduction on each compliance area, the risks and legislations, the roles and responsibilities, inspection and monitoring. The Repairs Department policies only explain specific procedures for each area but did not expand on responsibilities and duties, risks and legislations.</p> <p>We noted that review or approval requirements were not stated in any of the documents received. Furthermore, we noted that the following policies were not version controlled:</p> <ul style="list-style-type: none"> <li>• Achieving 100% Gas, LGSR Compliance Policy (Repairs Department Policy)</li> <li>• Achieving 100% EICR Compliance (Repairs Department Policy)</li> <li>• Draft Asbestos Management New Guidelines and Process</li> <li>• Prevention of legionella in void properties</li> </ul> <p>There is no timetable of when these documents should be reviewed and who is responsible for reviewing them. There is also no consistent approach on how these policies and procedures are communicated and who should be aware of them.</p> <p><i>Risk: Lack of consistency on the information provided to staff for different compliance areas and the review and approval process for policies and procedures may result in outdated practices followed. Departmental policies do not align to organisation-wide policies which</i></p>				

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<i>may lead to a disjointed process to achieve and monitor property compliance.</i>				
4.7	<p><b>KPIs</b></p> <p>A quarterly Housing Compliance Dashboard is presented to the Senior Leadership Team.</p> <p>There are no KPIs to monitor how many remedial actions are open per priority level across the compliance programme. For instance, we noted that in the Dashboard there was a row on “Communal FRA remedial works” however no figures were given. Instead, a comment was added for each quarter stating the following: “FRA remedial works carried out as required on FRAs and Corporate H&amp;S officer updated.</p> <p>In addition, there is no KPI in relation to lifts servicing and maintenance. We have raised a separate recommendation in relation to this at 4.3.</p> <p><i>Risk: Poor Performance is not identified, analysed and remedial action taken.</i></p>	Management should ensure they report on how many remedial actions are open per priority level in the Compliance Dashboard to be able to monitor performance and report to SLT.	Medium	Agreed develop a suite of KPIs to be monitored and reported to SLT.	<p>Maddy Shellard</p> <p>To be included in quarterly report to SLT</p> <p>3 months</p>

## A1 Audit information

Audit Control Schedule	
<b>Client contacts:</b>	Madeline Shellard – Head of Housing Gary Upton - Housing Repairs Manager
<b>Internal Audit Team:</b>	Peter Cudlip: Partner Hannah Parker: Associate Director Ana Gomez-Illingworth: Internal Auditor
<b>Finish on-site / Exit meeting:</b>	31 August 2023
<b>Draft report issued:</b>	6 December 2023 Revised: 21 February 2024
<b>Management responses received:</b>	6 February 2024 Revised: 19 March 2024
<b>Final report issued:</b>	8 April 2024

### Scope and Objectives

Audit objective: To assess key controls in place in relation to Statutory Property Compliance. Our audit considered the following risks relating to the area under review:

- Lack of strategic approach to managing statutory property compliance resulting in inefficient practices;
- Roles and responsibilities for statutory property compliance, Strategic and Operational, are unclear;
- The right skills or resources are not available or are insufficient to maintain required compliance standards;
- Management are unaware of current performance in relation to statutory property compliance;
- Performance reported does not agree to underlying data;
- Poor Performance is not identified, analysed and remedial action taken;
- Performance is not appropriately reported to Senior Management and the Board in a timely fashion; and
- Action is not taken to address on-going performance issues.

The objective of our audit was to evaluate the adequacy of key controls and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

The limitations to this audit were that testing was performed on a sample basis and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels	
Level	Description
<b>Substantial</b>	The framework of governance, risk management and control is adequate and effective.
<b>Moderate</b>	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
<b>Limited</b>	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
<b>Unsatisfactory</b>	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations	
Priority	Description
<b>High (Fundamental)</b>	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
<b>Medium (Significant)</b>	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.
<b>Low (Housekeeping)</b>	Scope for improvement in governance, risk management and control.

## Statement of Responsibility

We take responsibility to Hinckley and Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective.

Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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## A2 Data Integrity Test Result

The results of the data integrity tests completed are included below. Ratings for the conclusions on data integrity tests are as follows:

<b>Substantial</b>	Findings indicate that on the whole, the integrity of data within core systems is strong, although some good practice enhancements may have been recommended.
<b>Moderate</b>	While the data integrity of systems has been found to be generally well controlled, issues and / or areas for improvement have been identified. Where action is in progress to address these findings and any other issues known to management, these actions will be at too early a stage to allow a 'substantial' assurance audit opinion to be given.
<b>Limited</b>	Data integrity weaknesses have been noted that require corrective action if the control framework is to be considered as operating effectively. Where such remedial action has already been identified by management, this is not currently considered to be sufficient, or sufficiently progressing to address the severity of the control weaknesses identified.
<b>Unsatisfactory</b>	Findings indicate serious weaknesses in the integrity of data which could threaten the ability to achieve its objectives; or, there is evidence that despite any corrective action already taken, key risks are crystallising within core systems. This assurance opinion may also cover the scenario where our audit work was obstructed such that we cannot conclude on the effectiveness of internal controls.

Risk	Testing undertaken	Results of testing	Conclusion
The gas programme does not include all properties that require gas servicing and safety inspection.	Obtain the gas database held by Hinckley and Bosworth BC and compare it to the gas data held: <ul style="list-style-type: none"> <li>• In the contractor's database;</li> <li>• In the asset management system;</li> <li>• The housing management system.</li> </ul>	<p><b>Contractor's database</b></p> <p>We reconciled a report from the gas contractor 'PHJ Service Report Last 12 Months', to the LGSR Programme held by the Council. We identified 88 UPRNS recorded in the contractor's database's report which were not present in the Council's gas data. Management investigated a sample of eight which had the followed reasons for omission:</p> <ul style="list-style-type: none"> <li>• Two properties were missing as they were sold and were noted as such in the contractor's database.</li> <li>• One property was Solid Fuel Heating</li> <li>• Five properties were Electric – Air Source Heat Pump</li> </ul> <p>We were advised that gas, air source heat pump, and solid fuel are all under the same contract with PH Jones. The report from PH Jones does not differentiate in the type of service/check completed. We have raised a recommendation for the Council to investigate the remaining 80 at <b>Recommendation 4.4</b>.</p>	Limited

Risk	Testing undertaken	Results of testing	Conclusion
		<p>We identified five properties recorded in the Council's LGSR programme that were not recorded in the contractor's database as the contractor's report only shows servicing in the last 12 months. We confirmed that these five properties were included within the PH Jones portal.</p> <p>It was identified during the audit that a report of all properties which require gas servicing can be extracted from the PH Jones portal. This is not being used by the Council to reconcile at present. <b>(Recommendation 4.4)</b></p> <p><b>Asset management system (Promaster)</b></p> <p>We reconciled the 3038 properties listed with a boiler in Promaster and found:</p> <ul style="list-style-type: none"> <li>• Two buildings not recorded within Promaster (Groby Community Centre and Herford Way Community Centre) which management were unable to provide an explanation for.</li> <li>• 38 properties in the LGSR Schedule 23-24 were not included in the Promaster list. Management advised that these are either new acquisitions where the heating element is missing from Promaster or properties which HBBC manages but does not own.</li> <li>• 11 properties in Promaster which were not in the LGSR Schedule 23-24. Management advised us that Promaster has not been updated correctly and these properties are either all electric or Solid Fuel Heating. These are: 2010030020, 2010030030, 2010030060, 2040040140, 2790270282, 2930070080, 2030550030, 2710280150, 2750420090, 2810130210, 2930060310</li> </ul> <p>We have raised a recommendation <b>(4.1)</b> on the accuracy of Promaster in Section 04.</p> <p><b>Housing management system (MRI)</b></p> <p>We reconciled the Council's gas database to MRI, and identified two properties not recorded in the gas programme:</p> <ul style="list-style-type: none"> <li>• 2030180500 was on the LGSR schedule but with the wrong UPRN which was corrected by management once identified by Mazars.</li> <li>• 2020250450 the property was accidentally deleted from the LGSR schedule but has since been reinstated.</li> </ul> <p>We have raised a recommendation in relation to regularly reconciling the gas database to MRI at <b>Recommendation 4.4.</b></p>	



Risk	Testing undertaken	Results of testing	Conclusion
The Council does not identify properties next due for a service.	Review the gas data to ensure there are no anomalies that would prevent effective scheduling of gas servicing. These may include blank fields for current LGSR dates, or dates that are recorded as being in the future.	<p>We reviewed both the Plant Rooms LGSR Schedules 23-24 spreadsheet and the LGSR Schedules 2023-24. We noted that all the properties included in the schedules had a next service due date.</p> <p>The Council operate a -56 day MoT style service programme, however, MRI (the housing management system) does not currently support this approach. The original gas certificate date (to drive the MoT date) is not recorded within the spreadsheet, and we were therefore not able to confirm the accuracy of the MoT approach.</p> <p>The Council has implemented The Compliance Workbook (TCW) on 1 October 2022, which will support the MoT approach from 1 October 2023, when one full year of LGSR data has been uploaded.</p>	Moderate
Properties with gas are not included in the servicing programme	Obtain a list of properties and properties where a boiler has been fitted in the current year and compare to the gas programme.	We were provided with a list of new installs in the current year and confirmed they were listed on the gas programme.	Substantial
The Council is unaware of the properties which are overdue for a gas service.	Identify all properties within the programme which are overdue for a gas service and confirm this matches the figure within the Hinckley and Bosworth BC's systems.	Based on the LGSR Schedules 23-24 spreadsheet, there were no properties recorded as overdue at the time of the audit.	Substantial
Programmes do not include all properties that require inspection.	Undertake a reconciliation between the list of communal areas/water tanks as per the asset management or housing management systems, and records for the following programme lists: FRAs, Asbestos, Legionella	<p><b>FRAs</b></p> <p>We reconciled the list of communal areas from the asset management system, Promaster, with the FRA register. We identified:</p> <ul style="list-style-type: none"> <li>• One communal area not included in the FRA register. We were advised this was recorded with a different name; and</li> <li>• 12 communal areas listed on the FRA register which were not included in Promaster. We were advised that eight were included under a different name and four required further investigation (The Meadows Community Centre, Herford Way, Meadow Rd, Groby Community Centre).</li> </ul>	Limited

Risk	Testing undertaken	Results of testing	Conclusion
		<p>We have raised a recommendation in relation to the consistency of property recording across systems and completeness of Promaster at <b>Recommendation 4.1</b>.</p> <p><b>Asbestos</b></p> <p>In our review of asbestos data we identified that two properties in Promaster were missing the year they were built (6a Alexander Gardens and 6b Alexander Gardens). (<b>Recommendation 4.1</b>)</p> <p>The Council does not have its own asbestos programme list but uses the contractor’s programme list. We received the contractor’s survey list and reconciled this list with the properties-built pre-2000 list in Promaster and noted the following:</p> <ul style="list-style-type: none"> <li>• 63 properties in Promaster were not included in the contractor’s survey list. Management advised that these properties are no-access. We confirmed the 63 properties are referenced in the Q4 Dashboard reported to SLT. There is a risk that these properties will not be surveyed if not included on the contractor’s list.</li> <li>• Five properties in the asbestos’ surveys list did not have a UPRN. Management advised us that these properties need to “formally be added to the contract with the contractor”.</li> <li>• 42 properties were in the asbestos survey list but not in Promaster. Management advised that this could be due to a variety of reasons, for example, some flats have been made into one community room. Furthermore, the asbestos element may be missing from the asset list or Promaster has not been updated.</li> </ul> <p>We have raised a recommendation in relation to the completeness of Promaster at <b>Recommendation 4.1</b>.</p> <p><b>Legionella</b></p> <p>We were provided with three lists: blocks in Promaster with a communal water tank recorded, blocks in legionella monthly programme and blocks in the Water Risk Assessment Register.</p> <p>We reconciled these three lists and identified ten blocks in the legionella monthly programme and risk assessment programme that were not included in Promaster’s list of communal water tanks. (<b>Recommendation 4.1</b>).</p> <p>The 10 blocks are: Banky Meadow, Barlestone, Barwell Scheme, Barwell Community Centre, Gwendoline House, Herford Community Centre, Herford Way, Meadow Road Community Centre, Factory Road, The Meadows Community Centre.</p>	

Risk	Testing undertaken	Results of testing	Conclusion
The Council does not identify properties next due for a risk assessment.	Review register data to ensure there are no anomalies that would prevent effective scheduling of risk assessing. These may include blank fields for current survey dates, or dates that are recorded as being in the future. Review the following programme lists: FRAs, Asbestos, Legionella.	<p><b>Fire Risk Assessments (FRAs)</b></p> <p>We reviewed the FRA register and noted that it included the following columns: site name, last FRA completed, next full FRA due, first annual review completed, and second annual review completed. We noted that from the 26 sites recorded in the register, 15 did not have full dates in the last FRA Completed column and in the next full FRA due column. These columns only state the month and year. They also do not include UPRNs which would make it difficult to reconcile with the Council's databases, due to inconsistencies in names. <b>(Recommendation 4.1 and Recommendation 4.3)</b></p> <p><b>Asbestos</b></p> <p>The Council does not have their own asbestos programme list but uses the contractor's programme list. We noted that there is no next survey due date recorded or the property contains asbestos or not. We have raised a recommendation for the Council to maintain their own records at <b>Recommendation 4.3</b>.</p> <p><b>Legionella</b></p> <p>The Water Risk Assessment Register has not been reviewed since 2020. We reviewed the Legionella – RA Evaluation Summary spreadsheet which summarises the relevant actions needed from the Legionella Risk Assessments and who is responsible for actioning them as well as the recommended timeframe. We noted that the spreadsheet does not indicate the status of the remedial actions. The Property Compliance Officer advised us that this spreadsheet has not been reviewed since 2020. We have included an example of a Remedials Tracker in Appendix A4. <b>(Recommendation 4.3)</b></p>	Limited
	<p>From a list of all properties, confirm that:</p> <ul style="list-style-type: none"> <li>Each property is included on the programme of electrical inspections.</li> <li>Any HMOs are due to have an electrical assessment within the next five years.</li> </ul>	<p>We were provided with two spreadsheets: EICR - 23-24 Programme and Completion Monitoring and EICR Programme Cross Check - Mar 2023, however, we do not consider these to be an EICR programme as they do not include: whether the EICR is 'satisfactory' or not 'unsatisfactory' and the next due. The EICR Programme Cross Check - Mar 2023 was created as it was identified Promaster was missing some key EICR data. We carried out a reconciliation between Promaster and the Cross Check spreadsheet and noted:</p> <ul style="list-style-type: none"> <li>268 properties were not included in the EICR Programme Cross Check - March 2023 from Promaster. Management advised us that these will be reviewed to ensure these properties are captured and that the EICR is completed if due.</li> <li>Three properties (UPRN: 2010340220, 2750380840, 2750381220) were not included in Promaster. Management advised that these properties were all now sold and Promaster will need to be updated.</li> </ul>	Limited

Risk	Testing undertaken	Results of testing	Conclusion
		<p>Furthermore, we noted that Promaster only shows the renewal year rather than the full date of renewal. EICRs are meant to be renewed every 5 years, however, of the 2612 properties listed Promaster details:</p> <ul style="list-style-type: none"> <li>• Three properties with a seven year renewal timeframe (2030340410, 2760160120, 2810110190)</li> <li>• One property with a six year renewal timeframe (2020200170).</li> </ul>	
Lift inspection programmes do not include all lifts for inspection.	Obtain the lift inspection and maintenance programmes and compare to the asset management system.	There is no lift inspection and maintenance programmes. Promaster does not show which properties have lifts. <b>(Recommendation 4.2)</b>	
Differences between the dates within the programme leads to lifts becoming overdue for service.	Review register data to ensure there are no anomalies that would prevent effective scheduling of inspections or maintenance. These may include blank fields for current survey dates, or dates that are recorded as being in the future.		Unsatisfactory

# A3 Health and Safety Reporting Scorecard

Health and Safety							
	Target	Actual	Trend		Target	Actual	Trend
<b>Fire Safety</b>				<b>Legionella</b>			
Percentage of properties with an FRA	100%	100%	➡	Percentage of properties with water facilities that have been risk assessed	100%	100%	⬇
Percentage of FRA reviews overdue	0%	0%	➡	Percentage of risk assessments overdue for review	0%	0%	➡
Number of remedial actions overdue for completion:				Number of remedial actions overdue for completion:			
Priority 1	0	0	➡	Priority 1	0	0	⬇
Priority 2	0	2	⬇	Priority 2	0	0	➡
Priority 3	0	0	➡	Priority 3	0	0	➡
				Percentage of monthly on-site check sheets overdue for submission	0%	0%	➡
<b>Gas servicing</b>				<b>Periodic electrical testing</b>			
Gas servicing compliance	100%	100%	➡	Percentage of properties not surveyed for electrical safety within last 5 years	0%	0%	➡
<b>Lift servicing</b>				<b>Portable appliance testing</b>			
Percentage of lifts with an in-date thorough inspection	100%	100%	➡	Number of properties with overdue PAT testing	0	0	➡
Number of defects identified overdue for completion	0	0	⬇				

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## A4 Examples of data captured in Statutory Property Compliance programmes

### Asbestos Programme Example

AssetID	UPRN	Address	Owner	Build Date	Type	Previous Survey Date	Next Survey Date	Status	Risk
9662	F035B762	Site 1	ABC	1960	House	13/05/2020	13/05/2025	Asbestos Confirmed	Medium Risk

### FRA Programme Example

UPRN/Asset Reference	Address	Property type	Inspection type	Risk Level	Current Date	Next Due Date	Status
111111	59 Starry Avenue	Block	FRA	High	10/02/2023	10/02/2024	Compliant

### Lift Programme Example

UPRN/Asset Reference	Address	Property type	Asset type	Inspection type	Current Date	Next Due Date	Status
111111	59 Starry Avenue	Block	Passenger lift	LOLER	10/02/2023	10/08/2023	Compliant
111112	1, 59 Starry Avenue	House	Stairlift	Routine Maintenance	10/02/2023	10/05/2023	Overdue

### EICR Programme Example

UPRN/Asset Reference	Address	Property type	Inspection type	Current Date	Next Due Date	Status
111111	59 Starry Avenue	Block	EICR	10/02/2023	10/02/2028	Compliant
111112	1, 59 Starry Avenue	House	EICR	10/02/2023	10/02/2028	Compliant

### Remedials Tracker Example

UPRN	Address	Inspection Type	Date of inspection	Defect/Remedial Description	Priority	Date ordered	Target date	Owner	Contractor	Job No.	Date completed
111111	59 Starry Avenue	LOLER	10/02/2023	Call button floor 10 missing in car	Medium	11/02/2023	17/02/2023	Facilities Manager	ABC	XY001	16/02/2023
Evidence of completion		Update/Notes	Status								
Job Number: XY0001, email from contractor		Job completed	Closed								

## Contacts

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# Hinckley & Bosworth Borough Council

## Audit Committee Internal Audit Progress Report

Prepared by: Mazars LLP  
Date: April 2024

mazars

# Contents

- 01 Snapshot of Internal Audit Activity
- 02 Summary of the 2022/23 Internal Audit Plan
- 03 Thought Leadership

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**Disclaimer**

This report ("Report") was prepared by Mazars LLP at the request of Hinckley & Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Hinckley & Bosworth Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in this report for further information about responsibilities, limitations and confidentiality.





# 01 Snapshot of Internal Audit Activity

Below is a snapshot of the current position of the delivery of the 2022/23 Internal Audit Plan.



**AC decisions needed**  
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- Note the progress being reported and consider final reports included separately in the paper pack.

**RAG status of delivery of plan to timetable**  
**On track**

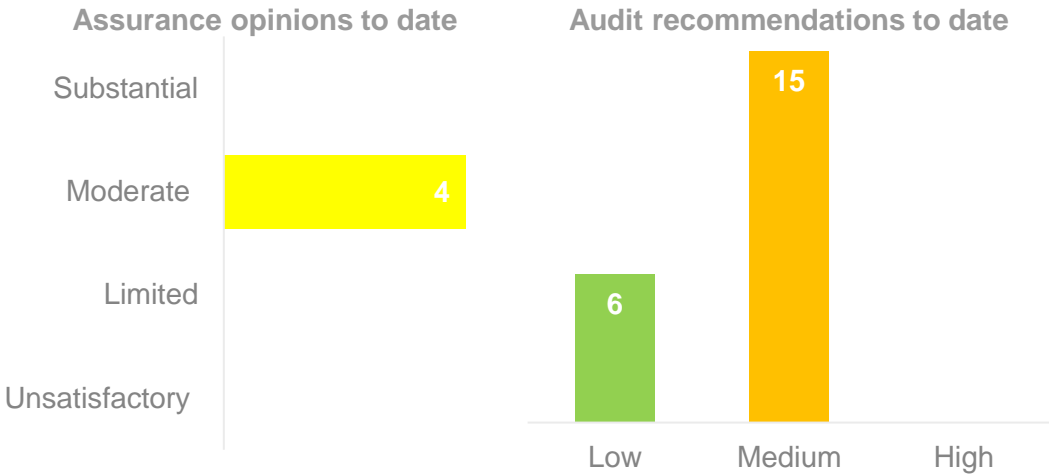
**Key updates**

All the remaining Q4 audits have now been complete, however a follow up audit is still to be arranged. The plan will be completed by end of April 2024, upon the completion of the Follow Up review.

Since the last Audit Committee meeting in January 2024, we have issued and finalised the report for the Accounts Receivable, and Statutory Property Compliance audits, and the DEFRA grant sign off was completed. The Procurement audit has been complete, and a final report has been issued.

The Section 106 planning audit remain in draft stage awaiting management response.

[An overview of the Internal Audit Plan can be found in Section 02.](#)





## 02 Summary of the 2022/23 Internal Audit Plan

The table below lists the 2022/23 Internal Audit Plan and a status summary for all reviews. The plan will be completed by the end of April 2024, instead of March 2024 due to the follow up audit which is still to take place.

Fieldwork dates	Audit Area / Activity	Planned Days	Actual Days	Status	Assurance Level	Total	Findings		
							H	M	L
August 2023	Accounts Receivable	8	8	Final Report	Moderate	2	-	1	1
August 2023	Procurement	12	12	Final Report	Moderate	6	-	4	2
	IT Audit	10	-		N/A				
February 2023	Commercial Asset Management	10	10	Final Report	Moderate	6	-	3	3
June 2023	Statutory Property Compliance	15	14.5	Final Report	Moderate	7	-	7	-
March 2023	Section 106 Planning	10	9	Draft Report	Moderate	4	-	2	2
	Follow up	3	-			-	-	-	-
	Management	9	-	N/A					
	Biodiversity Net Gain Grant	3	3	N/A					
	DEFRA Grant	1	1						
<b>Totals</b>						<b>25</b>	<b>-</b>	<b>17</b>	<b>8</b>



# 03 Thought Leadership

Against a backdrop of unprecedented strike action and a poor public perception, the recruitment and retention of public and social sector employees has become increasingly challenging. With approximately six million public and social sector employees delivering essential services, decades of accumulated knowledge and experience are at risk of being lost, threatening the function of fundamental community services.

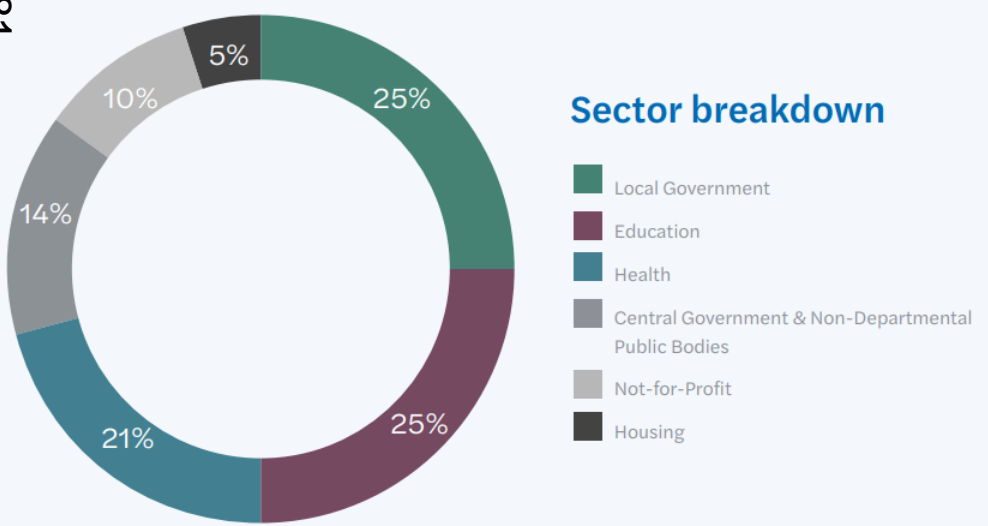
## Survey methodology and breakdown

A survey to measure recruitment and retention challenges for the public & social sector was conducted by Surveys in Public Sector in partnership with Mazars. The consultation period ran from Tuesday 16th May 2023 to Wednesday 28th June 2023. A total of 173 individuals from 169 unique organisations participated in the survey, representing a broad cross-section of job functions across the UK public sector.

All survey participants have received a complimentary copy of the key findings report. There was no inducement to take part in our research project, and Mazars was not introduced as the survey partner.

The results discussed throughout our report are based on those who fully completed the questionnaire and are displayed as a percentage of this group, unless explicitly stated otherwise.

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[Download the full report here](#)



## Key findings at a glance

# Which parts of your organisation do you see are struggling with attraction and retention?

### Corporate Services (Finance, Procurement, Legal, Governance, Risk & Assurance)



### Corporate Services (IT & Digital)



### Customer-facing Services Teams



### Senior Leadership (Directors)



### Apprentices/Trainees



■ Extremely challenging 
 ■ Some challenge 
 ■ Neither 
 ■ Not very challenging 
 ■ Not challenging at all 
 ■ Don't know





## Key findings at a glance

# Training and upskilling initiatives are needed to plug the public and social sector skills gap

Public and social sector employers are facing talent shortages on multiple fronts, demonstrating a need for deeper and broader levels of competence than basic skills

- The rapid pace of progress is putting public and social sector organisations under immense pressure to insulate their services with experienced tech
- However, there is a critical shortage of the requisite skills
- When asked which skills their organisation was looking for:
  - 68% said technical expertise
  - 57% said communication skills
  - 57% said problem-solving abilities
  - 54% said people and human resources specialists
  - 29% said other or don't know

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## Key findings at a glance

### What makes the sector most attractive to talent?

<b>96%</b>	Opportunities for job recognition and career progression
<b>95%</b>	Culture of teamwork and quality of colleagues, team members, managers, and leaders
<b>94%</b>	Purpose, prestige or reputation and the sense of making a difference
<b>89%</b>	Flexible working
<b>89%</b>	Attractive pension scheme and benefits package
<b>87%</b>	Opportunities for internships, learning, training and development
<b>85%</b>	Equality, diversity and inclusiveness
<b>82%</b>	Transparent salary range by grade
<b>74%</b>	Commitments to social value and/or environmental, social and governance (ESG) goals

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## Key findings at a glance

# What makes the public and social sector attractive?

As the sector meets the emerging challenges of the 2020s and beyond, how can young talent be attracted and harnessed?

- Flexible working (89%)  
89% of respondents identified 'flexible working' as important or very important, suggesting that hybrid working is now an expectation rather than a temporary measure.
- Opportunities for career development and progression (96%)
  - Almost all respondents (96%) identified career development and progression as important for attracting and retaining talent.
- Purpose, prestige and reputation, and the sense of making a difference (94%)
- Commitments to EDI (85%) and ESG (74%)

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## Key findings at a glance

Looking ahead to the next 5 years, which of the following statements do you think could be true of your organisation's workforce/recruitment/retention?

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## Key findings at a glance

### **Serious concern for the future indicates it's time for the public and social sector to act!**

#### The public and social sector needs to focus on the long term, not quick fixes

- The rapid pace of progress is putting public and social sector organisations under immense pressure to insulate their services with experienced tech
- According to survey respondents, there is cause for considerable concern:
  - Just 44% believe that they organisation would have a more skilled workforce
  - Plus, 21% of respondents think that the workforce will actually be less skilled
  - 87% of respondents believe that retirements over the next five years will pose a significant risk for their organisation's future operations and continuity of service

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We take responsibility to **Hinckley & Bosworth Borough Council** for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Hinckley and Bosworth Borough Council

# Internal Audit Plan 2023-25

Draft

Prepared by: Mazars LLP

Date: April 2024

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## Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Hinckley and Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. The Report was prepared solely for the use and benefit of the [Client Organisation] and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility on the final page of this report for further information about responsibilities, limitations and confidentiality.



# 01

## Section 01: **Introduction**



## Introduction

The purpose of this document is to provide the Audit Committee with the proposed Operational Plan for 2023/24 and 2024/25 alongside a three-year Audit Strategy (Strategy) for consideration and approval.

The Strategy is used to direct Internal Audit resources to those aspects of the organisation that are assessed as generating the greatest risk to the achievement of its objectives. This is subject to review and update on at least an annual basis, to ensure it meets the needs of the Council and takes account of any areas of new and emerging risks within the Risk Register.

In considering the document, Audit Committee (AC) is asked to consider:

- whether the balance is right in terms of coverage and focus;
- whether we have captured key areas that would be expected; and
- whether there are any significant gaps.

The suggested Internal Audit plans are included in section 02, with the Strategy included in section 03.

We are also seeking approval from AC for the Internal Audit Charter in Section 04, which we request on an annual basis.



# Scope and Purpose of Internal Audit

## IA's Role

Internal Audit provides independent and objective assurance to the organisation, its Members, the Chief Executive, the Senior Management Team, and in particular the Head of Finance to help him discharge his responsibilities relating to the proper administration of the Authority's financial affairs under S151 of the Local Government Act 1972.

## IA Plan

Completion of the internal audits proposed in the Operational Plan 2023/24 and 2024/25 should be used to help inform the Council's Annual Governance Statement.

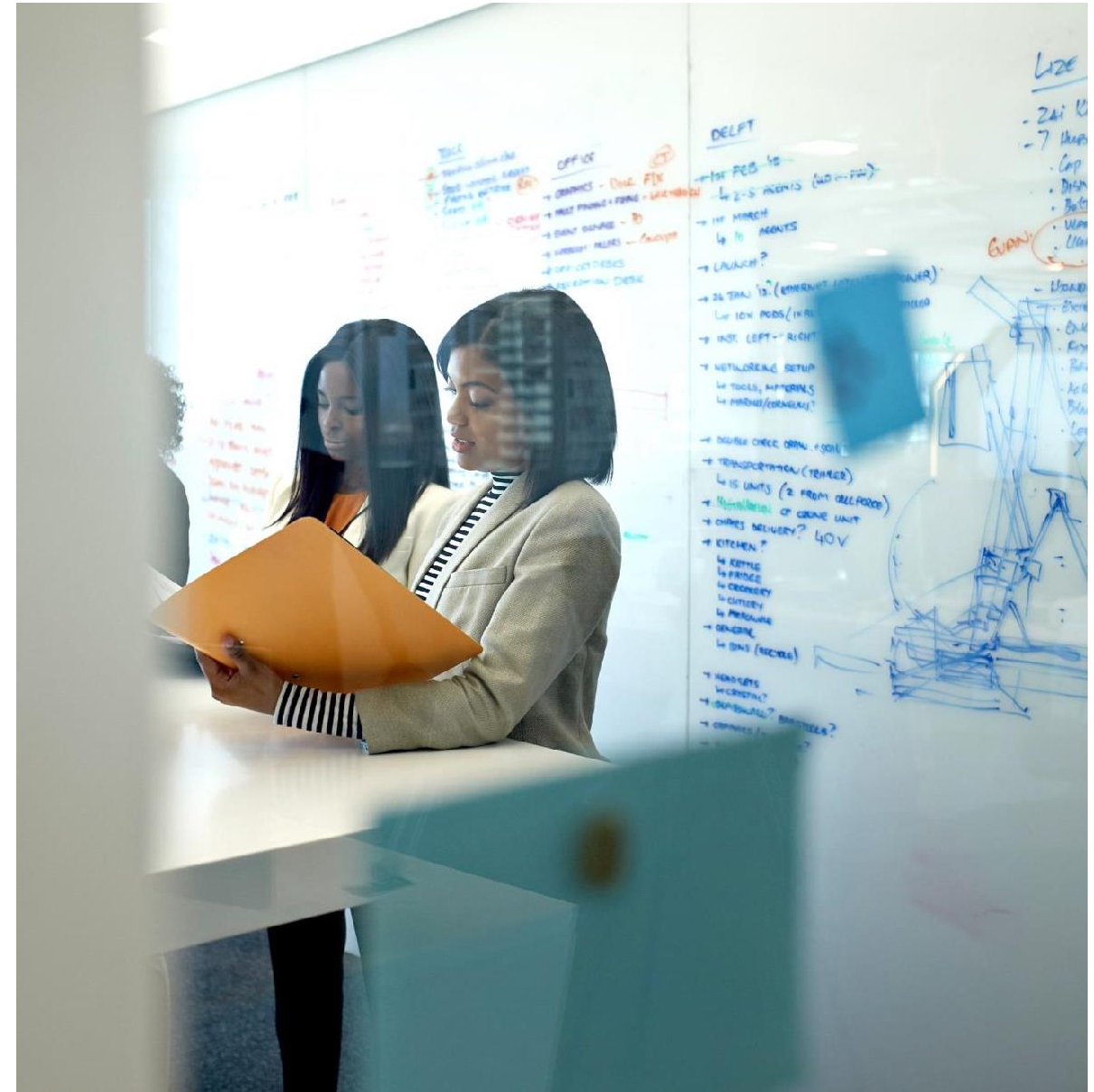
## Objective

The Accounts and Audit Regulations 2015 specifically require the provision of an internal audit service. In accordance with UK Public Sector Internal Audit Standards (PSIAS), as produced by the Internal Audit Standards Advisory Board, Internal Audit provides independent assurance on the adequacy and effectiveness of the Authority's governance, risk management and internal control system.

Internal auditing is designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

## Charter

We have included our Internal Audit Charter in Section 04. The Charter sets out terms of reference and serves as a basis for the governance of the Council's IA function, establishing our purpose, authority, responsibility, independence and scope, in accordance with PSIAS.





## Preparing the Strategy and Operational Plans for 2023-25

As part of our approach, it is important we consider the Council's strategic priorities, as well as the key strategic risks identified, as we seek to align our risk-based approach accordingly.

In preparing the Strategy update we have undertaken the following:

- Discussions with senior management;
- Reviewed risks and priorities contained in Hinckley's Corporate Risk Register including the issue of a Risk Management questionnaire to assess the risks;
- Requested input from the Chair of the Audit Committee;
- Considered areas which are not necessarily high risk (such as core operational controls), but where the work of internal audit can provide a tangible input to assurance; and
- Considered the results of internal audit across our wider client base.

The proposed Operational Plans for 2023-25 are included in Section 02. They also include a proposed high-level scope for each review which will be revisited as part of the detailed planning for each review.

# Preparing the Strategy and Operational Plans for 2023-25 (cont.)

The areas presented within this Operational Plan document were narrowed from a wider starting point, which will allow flexibility if there are changes required during the year. Details on alternative areas are outlined within Section 03.

Prior to conducting each internal audit, we will undertake a more detailed planning meeting in order to discuss and agree the specific focus of each review.

Following the planning meeting, we will produce Terms of Reference, which we will agree with key representatives at the Council prior to commencement of the fieldwork.

The results of our work will continue to be communicated via an exit meeting. A draft report is then issued for review and management comments and in turn a final report issued. Final reports as well as progress against the plan are reported to each Audit Committee.

Following completion of the planned assignments and the end of the Financial Year, we summarise the results of our work within an Annual Report, providing an opinion on the Council's governance, risk management and internal control framework.



# 02

Section 02:

## **Internal Audit Operational Plans 2023- 25**

# Operational Plan 2023/24

An overview of the Operational Plan 2023/24 is set out below:

Proposed Operational Plan for Approval				
Area	Days	Scope	Risk No	Target Start Date
<b>Key Financial Systems</b>				
Budget Control	8	Covering the adequacy and effectiveness of controls relating to the monitoring and reporting of budgets.	S20	May 2024
Main Accounting	10	To provide assurance that the internal controls relating to ensuring that the Council's Accounting System and General Ledger provide complete and accurate financial information.	S20	August 2024
<b>Corporate Services</b>				
IT Audits	10	To be confirmed with management	S12	TBC
Risk Management	10	To provide assurance that managers understand their requirements and take ownership of their responsibilities in relation to Risk Management. Review of individual risks registers as agreed with management.	S01	June 2024
Recording of Electric and Gas Usage	10	Covering the adequacy and effectiveness of controls for ensuring accurate recording of electric and gas usage, in relation to managing costs and the contribution to climate change targets	S55	May 2024
Health and Safety	10	To assess the controls in place to ensure compliance with statutory Health and Safety legislation.	S16	July 2024
<b>Community Services</b>				
Leisure Centre	12	To assess key controls in place in relation to the Council's Leisure services.	CLS04	July 2024
<b>Revenue &amp; Benefits</b>				
Housing Benefit and Local Council Tax Support	10	To be approved by the Management Board and Joint Committee.	S41	April 2024
<b>Management and Reporting Activities</b>				
Follow Up	5	Follow-up of all High and Medium priority recommendations made in final reports issued.	N/A	Ongoing
Management	15	Including attendance at Audit Committee	N/A	N/A
<b>Total</b>	<b>100</b>			

# Operational Plan 2024/25

An overview of the Operational Plan 2024/25 is set out below:

Proposed Operational Plan for Approval				
Area	Days	Scope	Risk No	Target Start Date
<b>Key Financial Systems</b>				
Treasury Management	10	Covering the adequacy and effectiveness of controls over the Treasury Management arrangements.	S20 ACS06	October 2024
Capital Programme	12	Covering the adequacy and effectiveness of controls over the Council's capital programme.	S20 EAS25	December 2024
<b>Corporate Services</b>				
IT Audits	10	To be confirmed with management.	S12	TBC
Sickness Management	10	Covering the controls and processes in place to help mitigate the risks associated with sickness absence.	S19	September 2024
<b>Community Services</b>				
Waste Management	10	To provide assurance that the Council has adequate controls in place to with regards to the handling of waste, including compliance with legislation.	S54	November 2024
Homelessness	12	To provide assurance on the arrangements in place to reduce the level of homelessness, and use of temporary accommodation.	HCS101	January 2025
Fire Safety	10	To assess the controls in place to ensure compliance with the relevant fire safety legislation for commercial premises.	S48	February 2025
<b>Revenue &amp; Benefits</b>				
Adequacy and effectiveness of key controls relating to Council Tax and NNDR processes.	12	To be approved by the Management Board and Joint Committee	S41	September 2024
<b>Management and Reporting Activities</b>				
Follow Up	5	Follow-up of all High and Medium priority recommendations made in final reports issued.	N/A	Ongoing
Management	15	Including attendance at Audit Committee	N/A	N/A
<b>Total</b>	<b>106</b>			

# 03

Section 03:

**Internal Audit Strategy Update 2023/24 – 2025/26**

# Internal Audit Strategy 2023/24 – 2025/26

Our Internal Audit Strategy 2023/24 – 2025/26 is provided below and sets out our risk based considerations, followed by other considerations and finally our management and reporting activities.

Risk Based Considerations (Aligned to Hinckley and Bosworth Borough Council's RR)				
Strategic Risks	Auditable Area	2023/24	2024/25	2025/26
CLS.04 – Hinckley Leisure Centre	Leisure services	✓	-	-
S.11 – Failure to successfully deliver the Medium-Term Financial Strategy	Treasury Management Capital programme Accounts Receivable Budgetary Control Main Accounting	✓ ✓	✓ ✓ -	✓
S.55 - Climate Emergency	Climate change targets	✓	-	-
S.19 - Failure to improve sickness absence	Sickness management	-	✓	-
S.54 - Depot insufficient space to accommodate food waste collections	Waste Management	-	✓	-
HCS.101 Increased Temporary Accommodation costs	Homelessness	-	✓	-
S.48 - Fire arrangements in commercial premises	Fire Safety	-	✓	-
S.41 – Business Rates Pooling	Council Tax / NNDR		✓	-
S16 – Failure to adhere to Health & Safety Initiations	Health & Safety	✓	-	-
S.01 – Failure to Focus on Priorities and Initiatives	Risk Management	✓	✓	✓
S.13 - Failure to Manage Partnership working	Partnership Governance	-	-	✓



# Internal Audit Strategy 2023/24 – 2025/26 (cont)

Other Considerations			
Auditable Area	2023/24	2024/25	2025/26
Governance and Risk Management	✓	✓	✓
Operational Risks	✓	✓	✓
Core Financial Systems	✓	✓	✓
IT	✓	✓	✓
Follow Up	✓	✓	✓
Management and Control (including attendance at Audit Committee and Committee training)	✓	✓	✓
Contingency			
<b>Total</b>	<b>102</b>	<b>106</b>	<b>102</b>

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# 04

## Section 04: **Internal Audit Charter**

# Internal Audit Charter

The Internal Audit Charter sets out the terms of reference and serves as a basis for the governance of the Hinckley and Bosworth Borough Council Internal Audit function. It sets out the purpose, authority and responsibility of the function in accordance with the UK Public Sector Internal Audit Standards (PSIAS). The Charter will be reviewed and updated annually.

## Nature and Purpose

Hinckley and Bosworth Borough Council is responsible for the development of a risk management framework, overseen by the Audit Committee (AC), which includes:

- Identification of the Council's significant risks and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Regular reviews by the Senior Management Team and the AC of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the risk profile.

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities.

Hinckley and Bosworth Borough Council's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the Council's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable the Council to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Senior Management Team. Hinckley and Bosworth Borough Council needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of the Council's business. There are also many assurance providers. The Council should, therefore, develop and maintain an assurance framework which sets out the sources of assurance to meet the assurance needs of its stakeholders.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework (IPPF) as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

Internal Audit carries out assurance and consulting activities across all aspects of Hinckley and Bosworth Borough Council's business, based on a programme agreed with the AC, and coordinates these activities via the assurance framework. In doing so, Internal Audit works closely with risk owners, and the Senior Management Team.

In addition to providing independent assurance to various stakeholders, Internal Audit helps identify areas where the Council's existing processes and procedures can be developed to improve the extent with which risks in these areas are managed; and public money is safeguarded and used economically, efficiently and effectively. In carrying out its work, Internal Audit liaises closely with the Senior Management Team and management in relevant departments. The independent assurance provided by Internal Audit also assists the Council to report annually on the effectiveness of the system of internal control included in the Annual Governance Statements.

## Authority and Access to Records, Assets and Personnel

Internal Audit has unrestricted right of access to all Hinckley and Bosworth Borough Council's records and information, both manual and computerised, and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter business property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Any restriction (management or other) on the scope of Internal Audit's activities will be reported to the AC.

Internal Audit is accountable for the safekeeping and confidentiality of any information and assets acquired in the course of its duties and execution of its responsibilities. Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit would need to discharge their responsibilities.

## Responsibility

The Head of Internal Audit is required to provide an annual opinion to Hinckley and Bosworth Borough Council, through the AC, on the adequacy and the effectiveness of the Council's risk management, control and governance processes. In order to achieve this, Internal Audit will:

- Coordinate assurance activities with other assurance providers as needed (such as the external auditors) such that the assurance needs of the Council, regulators and other stakeholders are met in the most effective way. operations and control processes.

# Internal Audit Charter continued

- Evaluate and assess the implications of new or changing systems, products, services,
- Carry out assurance and consulting activities across all aspects of the Council's business based on a risk-based plan agreed with the AC.
- Provide the Chief Executive and Members with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issue periodic reports to the AC and the Senior Management Team summarising results of assurance activities.
- Promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud;
- Assess the adequacy of remedial action to address significant risk and control issues reported to the AC. Responsibility for remedial action in response to audit findings rests with line management.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by Internal Audit's work.

When carrying out its work, Internal Audit will provide line management with comments and report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, Internal Audit cannot absolve line management of responsibility for internal controls.

Internal Audit will support line managers in determining measures to remedy deficiencies in risk management, control and governance processes and compliance to Hinckley and Bosworth Borough Council's policies and standards and will monitor whether such measures are implemented on a timely basis.

The AC is responsible for ensuring that Internal Audit is adequately resourced and afforded a sufficiently high standing within the organisation, necessary for its effectiveness.

## Scope of Activities

As highlighted in the previous section, there are inherent limitations in any system of internal control. Internal Audit therefore provides the Chief Executive through the AC with reasonable, but not absolute, assurance as to the adequacy and effectiveness of

the Council's governance, risk management and control processes using a systematic and discipline approach by:

- Assessing and making appropriate recommendations for improving the governance processes, promoting appropriate ethics and values, and ensuring effective performance management and accountability;
- Evaluating the effectiveness and contributing to the improvement of risk management processes; and
- Assisting the Council in maintaining effective controls by evaluating their adequacy, effectiveness and efficiency and by promoting continuous improvement.

The scope of Internal Audit's value adding activities includes evaluating risk exposures relating to Hinckley and Bosworth Borough Council's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

## Reporting

For each engagement, Internal Audit will issue a report to the appropriate senior management and business risk owner, and depending on the nature of the engagement and as agreed in the engagement's Terms of Reference, with a summary to the Senior Management Team and the AC. The UK PSIAS require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The annual risk-based plan is compiled by the Head of Internal Audit taking account of the Council's risk management / assurance framework and after input from members of the Senior Management Team. It is then presented to the AC annually for comment and approval.
- The internal audit budget is reported to the AC for approval annually as part of the overall budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the AC.

# Internal Audit Charter continued

- Performance against the annual risk-based plan and any significant risk exposures and breakdowns, failures or weaknesses of internal control systems arising from internal audit work are reported to the Senior Management Team and AC on a regular basis.
- Any significant consulting activity not already included in the risk-based plan and which might affect the level of assurance work undertaken will be reported to the AC.
- Any significant instances of non-conformance with the Public Sector Internal Audit Standards will be reported to the Senior Management Team and the AC and will be included in the Internal Audit Annual Report.

## Independence

The Head of Internal Audit has free and unfettered access to the following:

- Chief Financial Officer at Hinckley and Bosworth Borough Council;
- Chair of the Council's AC; and
- Any other member of the Senior Management Team.

The independence of the contracted Head of Internal Audit is further safeguarded as their annual appraisal is not inappropriately influenced by those subject to internal audit.

To ensure that auditor objectivity is not impaired and that any potential conflicts of interest are appropriately managed, all internal audit staff are required to make an annual personal independence responsibilities declaration via the tailored 'My Compliance Responsibilities' portal which includes personal deadlines for:

- Annual Returns (a regulatory obligation regarding independence, fit and proper status and other matters which everyone in Mazars must complete);
- Personal Connections (the system for recording the interests in securities and collective investment vehicles held by partners, directors and managers, and their immediate family members); and
- Continuing Professional Development (CPD).

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the AC. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for a period of at least 12 months.

## External Auditors

The external auditors fulfil a statutory duty. Effective collaboration between Internal Audit and the external auditors will help ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal Audit will follow up the implementation of internal control issues raised by external audit if requested to do so by Hinckley and Bosworth Borough Council.

Internal Audit and external audit will meet periodically to:

- Plan the respective internal and external audits and discuss potential issues arising from the external audit; and
- Share the results of significant issues arising from audit work.

## Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- PSIAS; and
- All relevant legislation.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the PSIAS, on-going performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of CPD is maintained for all staff working on internal audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies to deliver the risk-based plan. Both the Head of Internal Audit and the Engagement Manager are required to hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

## Performance Measures

In seeking to establish a service which is continually improving, we acknowledge it is essential that we agree measures by which Internal Audit should demonstrate both that it is meeting the Council's requirements and that it is improving on an annual basis. We will work to any measures outlined in the original Invitation to Tender, whilst we agree performance measures with the Council.

We take responsibility to Hinckley and Bosworth Borough Council for this report, which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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