



Grant Thornton

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Internal Audit Annual Report and Annual Head of Internal Audit Opinion 2018/19

Hinckley and Bosworth Borough Council

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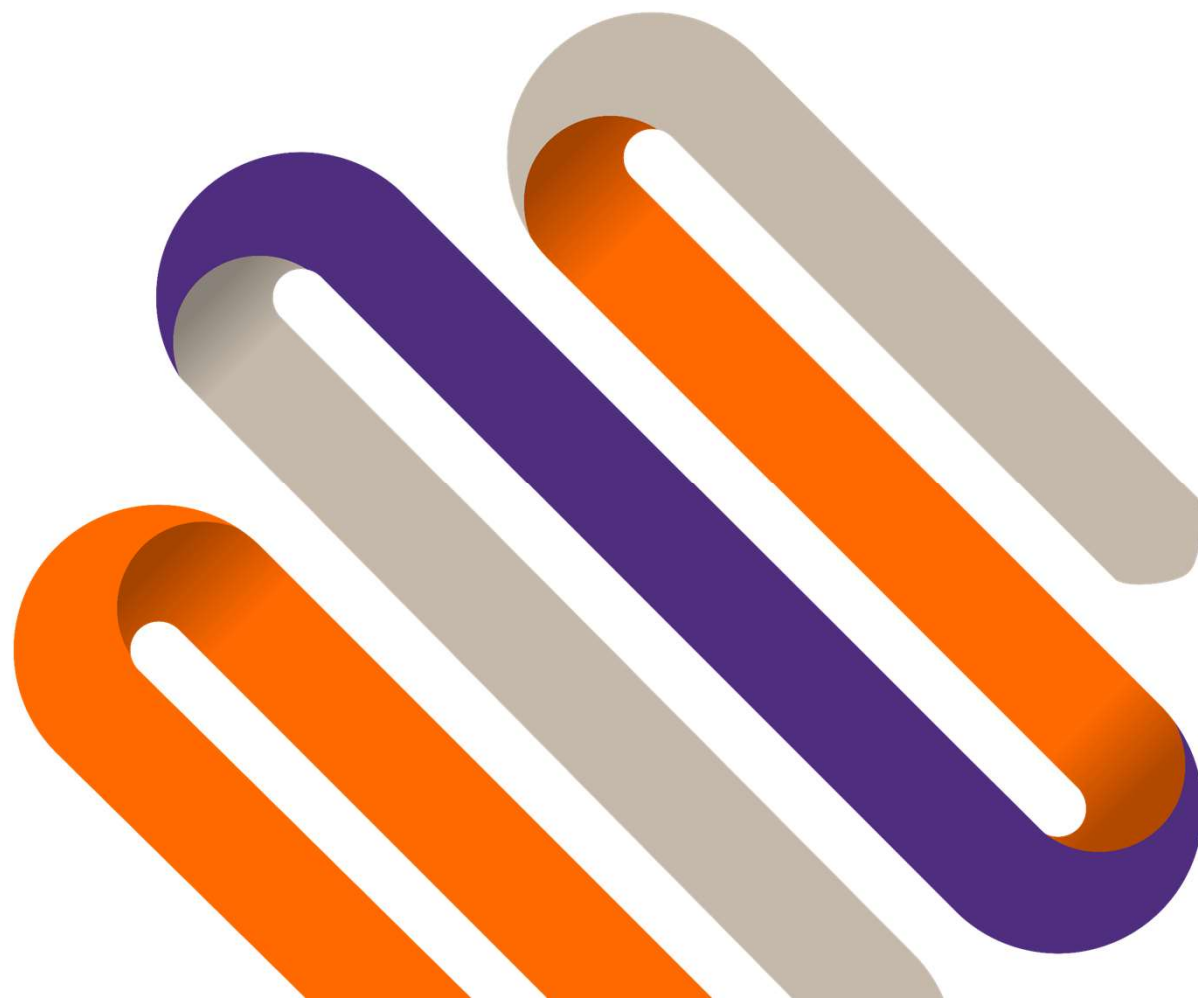
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This report is confidential and is intended for use by the management and directors of The Hinckley and Bosworth Borough Council. It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

It is the responsibility solely of the Council's management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.

Introduction

The Public Sector Internal Audit Standards (PSIAS) state that:

“The Chief Audit Executive (Head of Internal Audit) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement”.

“The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control”.

To meet the above requirements, this Annual Report summarises our conclusions and key findings from the internal audit work undertaken at Hinckley and Bosworth Borough Council during the year ended 31 March 2019, including our overall opinion on Hinckley and Bosworth Borough Council internal control system.

Acknowledgement

We would like to take this opportunity to thank all member of management and staff for the help, courtesy and co-operation extended to us during the year.

Internal Audit Summary

Scope and responsibilities

It is management's responsibility to establish a sound internal control system. The internal control system comprises the whole network of systems and processes established to provide reasonable assurance that organisational objectives will be achieved, with particular reference to:

- risk management;
- the effectiveness of operations;
- the economic and efficient use of resources;
- compliance and applicable policies, procedures, laws and regulations;
- safeguards against losses, including those arising from fraud, irregularity or corruption; and
- the integrity and reliability of information and data.

Internal audit

Internal Audit assists management by examining, evaluating and reporting on the controls in order to provide an independent assessment of the adequacy of the internal control system. To achieve this, Internal Audit should:

- analyse the internal control system and establish a review programme;
- identify and evaluate the controls which are established to achieve objectives in the most economic and efficient manner;
- report findings and conclusions and, where appropriate, make recommendations for improvement;
- provide an opinion on the reliability of the controls in the system under review; and
- provide an assurance based on the evaluation of the internal control system within the organisation as a whole.

Good practice

In order to provide an annual assurance statement supporting the Governance Statement, we consider all of Hinckley and Bosworth Borough Council activities and systems, as aligned to key risks, within the scope of our internal audit reviews.

Our internal audit plans are designed to provide the Audit Committee with assurance that Hinckley and Bosworth Borough Council internal control system is effective in managing the organisation key risks and value for money is being achieved. Our plans are therefore linked to the organisation's corporate risk register.

The three-year Strategic Internal Audit Plan was agreed in consultation with senior management and formally approved by the Audit Committee in July 2018.

Internal Audit Summary

Internal Audit planning

The Annual Internal Audit Plan is subject to revision throughout the year to reflect changes in your risk profile. We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. However, internal audit can never guarantee to detect all fraud or other irregularities and cannot be held responsible for internal control failures.

Internal Audit Coverage

The Internal Audit Plan comprises 130 days per annum. During the year we flexed the plan to take account of emerging risks and additional requests, with the Audit Committee updated during the year.

We can confirm that no restrictions were placed on our work by management.

Reports

We have prepared a report for each of the 12 internal audit reviews completed and presented these reports to the Audit Committee.

Where relevant, all reports contained management action plans detailing responsible officers and implementation dates. The reports were fully discussed and agreed with management prior to submission to the Audit Committee.

We made no critical or high risk recommendations that were not accepted by management.

Summary of reports by overall opinion

13 internal audit reports have been issued in 2018/19, as summarised in the table below.

Review	Report conclusion	No. of recommendations raised			
		High risk	Medium risk	Low risk	Improvement
Q1 & Q2 financial systems	Significant assurance with some improvement required	-	-	4	3
Risk management	Significant assurance with some improvement required	-	-	2	2
Electoral register	Significant assurance	-	-	2	2
GDPR review	Significant assurance with some improvement required	-	1	2	4
Sundry debt recovery	Significant assurance with some improvement required	-	1	4	1
Q3 financial systems	Significant assurance with some improvement required	-	-	3	2
Housing rent debt recovery	Significant assurance with some improvement required	-	1	1	-
Housing repairs	Significant assurance with some improvement required	-	-	3	-
Revenues and benefits partnership	Significant assurance with some improvement required	-	-	5	3
Lightbulb project	Significant assurance	-	-	-	2
Crematorium advisory review	Not applicable – advisory review	1	4	1	2
Q4 financial systems	Significant assurance	-	-	-	-
- Total		1	7	27	21

Summary of reports by overall opinion

During the year we have raised 61 recommendations, all were accepted by management. We raised 1 high risk recommendation during 2018/19 relating to:

- **Crematorium Business case** – The contract for CDS (consultants) was awarded for £92k against a limit of £50k for direct quotes (contract procedure rules apply rather than financial regulations over £50k). The work is specialist in nature and officers considered it to be sufficient to approach suppliers with relevant experience. Staff should be reminded of the need to comply with financial rules and procedures. Officers should review procedures to provide further clarity in such circumstances.

Detailed management responses have been received all recommendations and these have been added to the internal audit recommendation tracker. We report to all Audit Committee meetings management's progress in implementing internal audit recommendations. The position as at July 2019 is reported in a separate paper to this report.

Performance of Internal Audit

Independence

PSIAS require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that the staff members involved in each 2018/19 internal audit review were independent of Hinckley and Bosworth's operational processes and their objectivity was not compromised in any way.

Conformance with Public Sector Internal Audit Standards

Based upon our ongoing assignment and client review processes, together with the results of any Quality Assurance inspections, we believe that we have complied with the Public Sector Internal Audit Standards.

Quality control

Grant Thornton's aim is to provide a service that not only meets the Council's needs but also maintains consistently high standards. This is achieved through the following internal processes:

- Preparation of a detailed audit plan which is reviewed by the Head of Internal Audit prior to submission to the Audit Committee for approval;
- Regular review of progress against the plan to ensure we are delivering the work we have promised. In 2018/19, we completed all audit work as required;
- A tailored audit approach using a defined methodology and assignment control documentation which is subject to the firm's review protocol;
- The use of qualified, highly trained and experienced staff;
- The review of all audit files and reports by the Head of Internal Audit and Internal Audit Manager; and
- Reviews of a random sample of files by staff from other offices within the firm to ensure they comply with the Firm's standards of technical excellence and client service.

Appendices

Appendix 2 - Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
Significant assurance	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
Significant assurance with some improvement required	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
Partial assurance with improvement required	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
No assurance	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

Appendix 1 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> ▪ Key activity or control not designed or operating effectively ▪ Potential for fraud identified ▪ Non-compliance with key procedures / standards ▪ Non-compliance with regulation
Medium	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> ▪ Important activity or control not designed or operating effectively ▪ Impact is contained within the department and compensating controls would detect errors ▪ Possibility for fraud exists ▪ Control failures identified but not in key controls ▪ Non-compliance with procedures / standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> ▪ Minor control design or operational weakness ▪ Minor non-compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> ▪ Information for management ▪ Control operating but not necessarily in accordance with best practice

