

# Hinckley and Bosworth Borough Council Internal Audit Progress Report and Sector Update

**Year ending 31 March 2021**

May 2021



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# Introduction

## Your key Grant Thornton team members are:

### Emily J Mayne

Head of Internal Audit

T 0121 232 5309

E [emily.j.mayne@uk.gt.com](mailto:emily.j.mayne@uk.gt.com)

### Zoe Thomas

Internal Audit Manager

T 0121 232 5277

E [zoe.thomas@uk.gt.com](mailto:zoe.thomas@uk.gt.com)

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk) ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at 25 May 2021

## 2019/20 Audit

In March 2020, due to the unprecedented impact on the Council of the pandemic, management requested that we suspend internal audit activity for the 2019/20 year and our audit planning for 2020/21.

We had undertaken sufficient work to enable us to issue our 2019/20 Annual Report and Head of Internal Audit Opinion, which was issued in October 2020.

“Overall, significant assurance with some improvement required can be given on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. There are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management. 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.”

2019/20 reviews which had not been completed to inform this Opinion were rolled forward and will inform our 2020/21 Annual Report and Head of Internal Audit Opinion.

## 2020/21 Audit

In January 2021 we issued a draft internal audit plan for 2020/21 for consideration by management. As part of this detailed planning process, we revisited the work not completed in 2019/20 and our strategic plan, reprofiling work to ensure that we will undertake work to address sufficient and appropriate risks to issue the 2020/21 Annual Report and Head of Internal Audit Opinion.

To ensure that Management has capacity to support the delivery of our programme, we have planned to deliver any backlog of assurance days over the next two years.

This draft Strategic Internal Audit Plan has been considered and commented on by Management with appropriate amendments actioned. We have included in the Audit Committee papers for consideration by members prior to formal approval.

Due to the timing of Audit Committee meetings, the plan has not formally been considered by the committee, we have commenced our planned work for the 2020/21 financial year. This has ensured that work has been delivered in a timely manner to support Management decisions, e.g. the presentation of the Medium Term Financial Plan. It also ensures that the delivery of our 2020/21 Annual Report and Head of Internal Audit Opinion is not at risk. We propose to complete the necessary work and issue a draft 2020/21 Head of Internal Audit Opinion in time for the adoption and sign off of the 2020.21 financial statements.

Understandably, management has a number of competing priorities, particularly with ‘lockdown 2’, and this has continued to impact on our progress this year. We have agreed with management that any reviews in relation to community services will not take place until at least the autumn 2021 due to continuing pressures in that department, in response to the pandemic.

The table on page 6 summarises the position against the draft plan.

# Headlines

## Final reports issued

We have finalised one audit report in relation to the 2020/21 year.

Audit Completed	Overall assurance rating
Medium Tern Financial Plan	Partial assurance with improvement required
Key Financial Systems	Partial assurance with improvement required

## Work in progress

We have completed 77.5 days of our annual internal audit plan as at May 2021.

### Commercial Property Management (brought forward from 2019/20)

This work was suspended at the request of management due to Covid-19. Fieldwork is complete and the draft report was issued to Management in April 2021.

### Communications strategy

The scope of this work has been agreed and is due to start at the end of June 2021.

### Housing voids (brought forward from 2019/20)

Management has confirmed that we are able to finalise our work in this area. The report will be presented to the next audit committee.

### Risk management

We started the fieldwork in March 21, but at the request of management we have suspended our work due to the implementation of a new management information system,. Internal audit resources have been redirected to other work and we are awaiting confirmation from management when we can progress this review.

## Leisure contract management

Initial documentation has been supplied, and the scope of our work will be agreed with management during May. We have planned to complete this work during June and July.

## Revenues and benefits

In April 2021, management confirmed that the scope of our work this year would be considered at the next Revenues and Benefits Partnership Board. We are awaiting management to confirm the position with us.

## Other work

Grant Thornton has undertaken a detailed review of all grant applications made to Hinckley & Bosworth Borough Council, North West Leicestershire District Council and Harborough District Council in relation to the Covid-19 outbreak. These grants were intended for business owners suffering the consequences of the national pandemic.

Our review of the grants distributed by the authorities has identified a number of fraudulent claims which are 1 – 2% of the entire monetary value, which is currently below the national average level of fraud of 3 – 5%. The local authorities are investigating.

We also issued the opinion on the 2019/20 housing subsidy by the deadline of January 2021. This was additional work outside the Internal Audit contract and has been billed separately.

To support the Council, we invited finance staff to our year end Chief Accountant workshop which is an opportunity to hear about the latest technical information and also network with other staff compiling financial statements at other Councils.

## Resourcing the internal audit plan

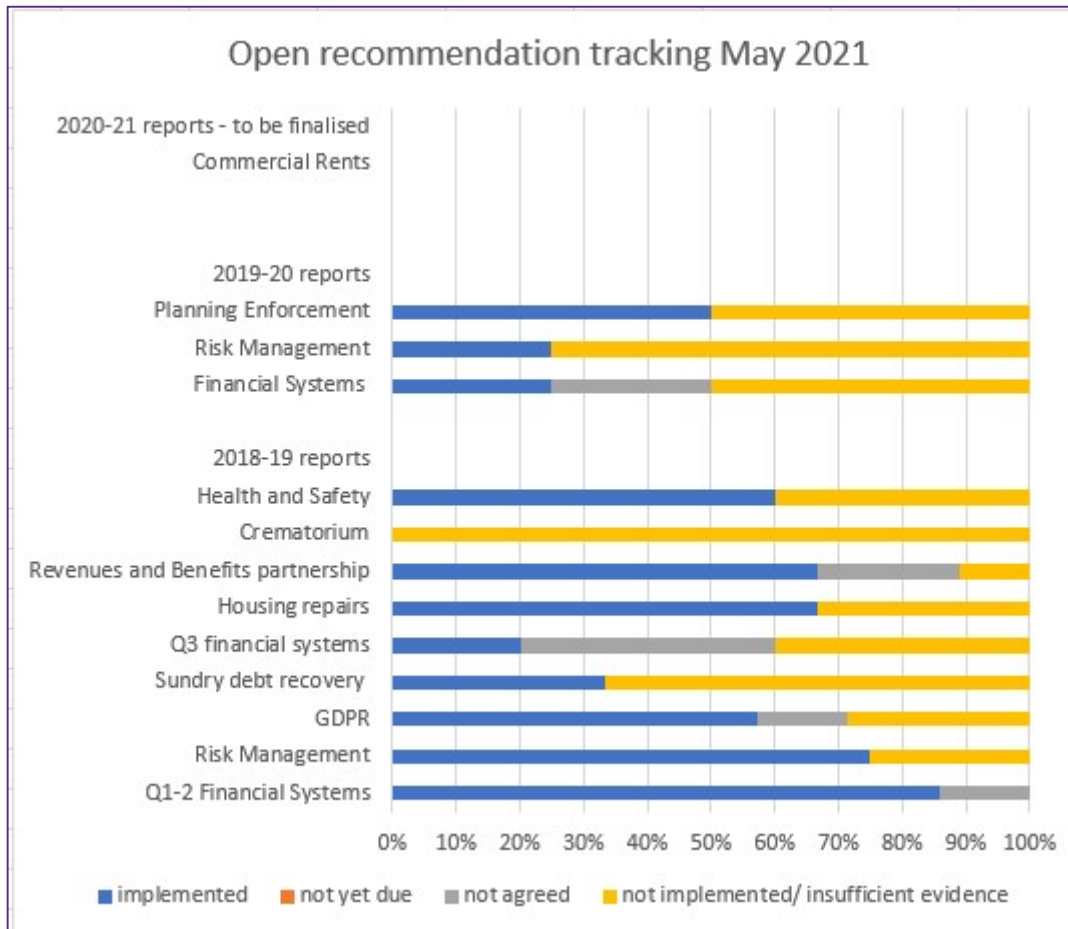
We confirm that we have sufficient internal audit team members available to deliver the remainder of the audit plan. We will flex the plan where needed for emerging priorities and to accommodate timescales requested by management. However due to the slippage in agreeing the plan and progressing the work, we will require support from management to complete sufficient work to issue the Head of Internal Audit Opinion by September 2021.

# Progress against 2020/21 internal audit plan

Internal Audit area	Planned days	Indicative timing	Scope meeting held	APB agreed	Fieldwork started	Fieldwork completed	Debrief held	Draft report	Management response received	Final report	Days used
Risk management	18	Q3/4									12
Key Financial systems	25	Q3/4									24
Cashless parking (b/fwd)	1	Q4									0.5
Revenues and benefits partnership	15	Q2 (21/22)	Scope to be confirmed by Partnership Management Board								0
Commercial property management (b/fwd)	3	Q3									2.5
Communications strategy	14	Q1 (21/22)									1
Review of Medium term financial plan	25	Q4									25
Housing voids (b/fwd)	3	Q3									1
Town Centre recovery	12	Q2 (21/22)	Scope to be agreed with management								0
Leisure contract management	16	Q2 (21/22)									0.5
<b>Sub-total</b>	<b>132</b>										<b>66.5</b>
Recommendation follow up	8	Ongoing									5
Contract management/ committee meetings/planning	10	Ongoing									6
<b>Total</b>	<b>150</b>										<b>77.5</b>

# Follow up of recommendations

We are using our 'Inflo' software for recommendation tracking. We have requested that management updates the tracker and provides evidence of implementation of recommendations, where applicable. The table below summarises the progress in implementation of agreed and due recommendations as at May 21. The table below demonstrates that there is some slippage in implementation of recommendations. We will follow this up again in the next quarter.



# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local  
government



# Insight into accounting for grants in local government financial statements – Grant Thornton

The government has provided a range of financial support packages throughout the COVID-19 pandemic.

We have issued a brief bulletin aimed at helping local government bodies identify the key things they should consider when determining the accounting treatment for these grants in their financial statements for 2020/21.

There are no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. What has changed, is the extent of additional funding to support the cost of services, to offset other income losses along with grant packages to be paid out to support local business. Local authorities need to consider the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement in 2020/21.

The report highlights the factors to consider, including:

- Where the funding is to be transferred to other parties, is the authority acting as principal or as agent?
- Are there grant conditions outstanding?
- Is the grant a specific or non-specific grant?

Our bulletin provides you with links to further information on the various support packages and summarises features that may be relevant to your judgements as you determine the appropriate accounting treatment.

Local authorities need to demonstrate their judgements on the accounting treatment to be reasonable and soundly based and, where these have a significant effect on the accounts, to ensure they include sufficient disclosures to meet the requirements of IAS 1:122.

Please ask your audit manager for the full report:



# Local government finance in the pandemic – National Audit Office

The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)

# Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, “Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

The NAO also state that the guide “provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.”

However, The NAO observe “Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation’s strategy and the risks it faces, how much taxpayers’ money has been spent and on what, and what has been achieved as a result.”

Further, the NAO note “The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation’s strategy, plans and operational and financial performance.”



The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

# CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five seven years, public consultation and technical stakeholder engagement.

Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>



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