



cw audit services

**Hinckley & Bosworth
Borough Council**

Annual Internal Audit Report 2014/15
March 2015

Getting value from your service

Contents

1. Introduction.....	1
2. Annual Head of Internal Audit Opinion	1
3. Work undertaken during the year.....	3

1 Introduction

This annual report provides my opinion (see section 2) as the Head of Internal Audit to Hinckley & Bosworth Borough Council. It also summarises the activities of Internal Audit for the period 1st April 2014 to 31st March 2015.

The Council is required by law (Accounts & Audit Regulations 2011) to maintain an adequate and effective system of internal audit of its accounting records and internal control systems in accordance with proper internal audit practices. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide a written report to those charged with governance, to support the Annual Governance Statement, (AGS), setting out:

- An opinion on the overall adequacy and effectiveness of the organisation's control environment ;
- Disclose any qualifications to that opinion, together with the reasons for that qualification;
- Present a summary of the work carried out by Internal Audit during the year from which the opinion is derived, including any reliance that is being placed upon third party assurances;
- Draw attention to any issues the Head of Internal Audit deems particularly relevant to the Annual Governance Statement (AGS)
- Consider delivery and performance of the Internal Audit function against that planned;
- Comment on compliance with these Standards and the results of any quality assurance programme.

The Council should consider my opinion, together with management assurances, its own knowledge of the organisation and assurances received throughout the year from other review bodies (such as External Audit) when producing its AGS.

My opinion takes into account the range of individual opinions arising from risk-based audit assignments that have been reported throughout the year. An internal audit plan was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. **A summary of the work we have performed and delivery against the plan is provided in section 3.**

2 Annual Head of Internal Audit Opinion

Roles and responsibilities

The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

Internal Audit provides an independent and objective opinion to the organisation on the control environment and plays a vital part in advising the organisation whether these arrangements are in place and operating correctly.

The Annual Governance Statement (AGS) is an annual statement by the Leader and Chief Executive, that recognises, records and publishes an authority's governance arrangements.

In accordance with PSIAS, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Finance, Audit and Performance Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below. The Head of Internal Audit's role is also covered by the CIPFA Guidance on the Role of the Head of Internal Audit; we consider we comply with the content of this Guidance.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans. As such, it is one component that the organisation takes into account in making its AGS.

The Head of Internal Audit Opinion

My opinion is set out as follows:

1. Overall opinion;
2. Basis for the opinion;

My **overall opinion** is that **significant** assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk.

The **basis** for forming my opinion is as follows:

1. An initial assessment of the design and operation of the underpinning risk management framework and supporting processes; and
2. An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
3. Any reliance that is being placed upon third party assurances.

3 Work undertaken during the year

Summary of assurances provided

During the course of the year we have conducted work to provide assurance over financial, governance and operational systems. Appendix One summarises the assurance levels we have given.

Delivery of the plan

An internal audit plan for 2014/15 was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. To achieve this our internal audit plan was divided into two broad categories; work on the financial systems that underpin your financial processing and reporting and then broader risk focused work driven essentially by principal risk areas that had been identified in your risk register. A summary of work undertaken is included below:

- During the year we have undertaken reviews of your core financial systems (including budgetary control/medium term financial strategy, general ledger and financial transactions) and given full or significant assurance with regard to the management of risk in these areas.
- We have undertaken a number of pieces of work on areas of principal risk. In general we have been able to conclude that these systems are robust and operate in a good control environment.

It is my view, taking account of the respective levels of assurance provided for each audit review, an assessment of the relevant weighting of each individual assignment and the extent to which agreed actions have been implemented, that you have a generally sound system of internal control.

We are pleased to report that our work has not highlighted any weaknesses that should be regarded as Significant Internal Control Issues that would require disclosure within your AGS.

We did however identify some weaknesses in control that caused us to limit the level of assurance we could give in the following areas:

- Housing Repairs & Maintenance – we provided moderate assurance regarding the effectiveness of arrangements to record, administer and use housing stock condition data, and noted the risk this presented with regard to the capital programme. Management has agreed an action plan to address our recommendations, and the implementation of the agreed actions now forms part of the monitoring by, and reporting to, Finance Audit & Performance Committee.

Third party assurances

In arriving at our overall Annual Head of Internal Audit Opinion, we have not sought to place reliance on any third party assurances.

Following up of actions arising from our work

All recommendations and agreed actions have been subject to an ongoing recommendation tracking process facilitated by CW Audit Services, but completed by the relevant managers responsible for implementing the recommendations. This is undertaken on a self-assessment basis, but is supplemented by our independent follow-up reviews where this is deemed necessary (for example following the issuance of a limited or moderate assurance report). A summary of the recommendation tracking results for the 2014/15 year is included as Appendix 2 to this report.

In addition elements of our work involve annual coverage of key areas of control for the organisation, such as in relation to key financial systems, and in such cases we also routinely follow up previously-agreed actions at each review.

Closing remarks

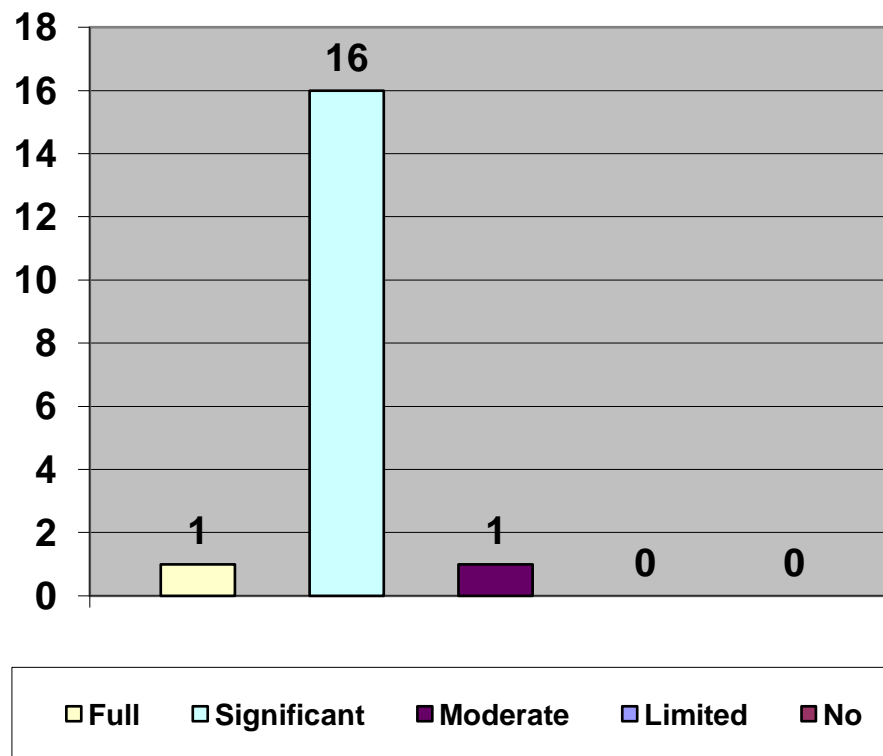
I have discussed and agreed this Annual Report and Head of Internal Audit Opinion with the Finance, Audit & Performance Committee. Further detailed findings, conclusions and recommendations in the areas covered by our internal audit plan are covered within the progress reports and individual assignment reports that have been issued to the Committee during the year.

Levels of Assurance – Individual Audit Assignments

Audit Review	Level of Assurance
Corporate Project assurance	N/A
Efficiency/VFM reviews (Waste collection/recycling in 2014/15)	N/A
Fees and charges review	Narrative/advisory
Budgetary Control/MTFS	Significant*
Main Accounting	Significant
Council Tax – Leicestershire Revenues & Benefits Partnership	Significant
Business Rates – Leicestershire Revenues & Benefits Partnership	Significant
Benefits – Leicestershire Revenues & Benefits Partnership	Significant
Financial Systems key controls	Full/significant
Information Governance	Narrative opinion
Orchard Housing System upgrade review	Narrative
ICT Services Contract review	N/A
Corporate Governance - Equalities	Significant*
Payroll & Expenses	Significant
Electoral Register	Narrative
Human Resources – Sickness Absence Management	Narrative
Housing Rents	Significant*
Homelessness/Allocations	Significant
Development Control (Process Review)	Significant
Section 106 agreements/contributions	Significant
<i>Planning Policy/delivery</i>	N/A
Management of staff flexible working	Narrative*
Housing Repairs & Maintenance	Moderate
Car Parks (follow up of 2013/14 review)	Significant
Parking Enforcement	N/A
Asset Control	Significant
Whistleblowing – additional review	N/A
Site security – additional review	N/A
Leisure Centre construction – additional review	Significant

Review in italics dropped from plan by agreement.

*at draft report stage



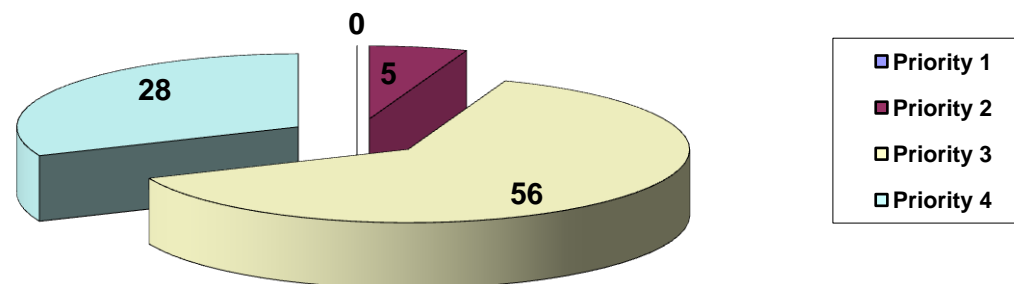
Key to assurance levels

Level of assurance	Criteria
Full	No significant risk issues identified
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review
Moderate	Exposure to levels of risk that render some elements of the system's control environment undeliverable
Limited	Exposure to unacceptable level of risk that could have a serious impact upon the system or process under review
No	Exposure to unacceptable levels of risk that could have a serious impact upon the organisation as a whole

Summary of Internal Audit Recommendations

Recommendations made in 2014/5

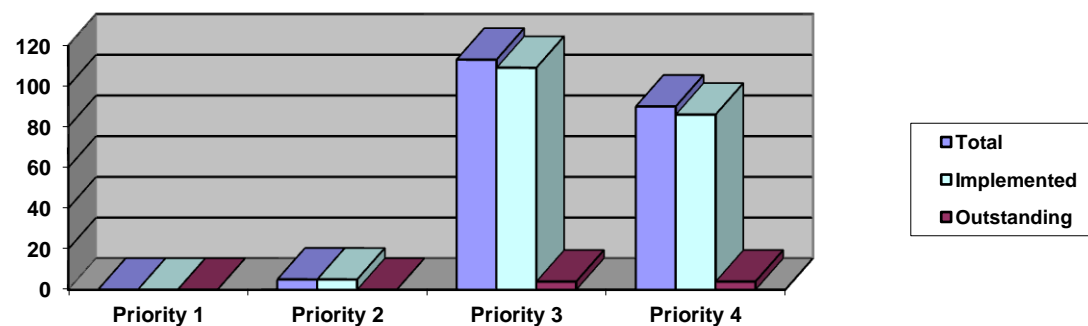
Priority	Number
1	0
2	5
3	56
4	28
Total	89



Current status of all recommendations made and due for implementation by 27th March 2015*

Priority	Number	Impl*	O/S
1	0	0	0
2	5	5	0
3	113	109	4
4	90	86	4
Totals	208	200	8

*incl. 'closed'



*given the need to report by 27th March 2015 for the Committee agenda deadline it was not possible to report on this data to 31st March 2015.

Definition of our risk rankings

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of one or more of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, but which are unlikely to impact on any of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that have, or could, reduce its operational effectiveness.