Internal Audit Progress Report

Hinckley and
Bosworth Borough
Council

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pwc

Contents

Distribution List

For information   Audit Committee

Introduction

Purpose of this report

We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention matters that are relevant to your responsibilities as members of the Authority's Audit Committee.

2016/17 Internal Audit Plan Progress

The draft 2016/17 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 27 July 2016. The Internal Audit Plan sets out the risks that were identified as part of the planning process, together with the targeted work to be performed in order to address the identified risks. We will report back to you on any changes to the assessment of audit risks and on the work undertaken in response to the risks identified.

We have started our Internal Audit fieldwork and are pleased to report work is ongoing in the following areas:

- Corporate Governance;
- Partnerships; and
- Compliance.

We have also arranged review scoping meetings for the following areas:
- Finance;
- Estates and Assets;
- Community Safety;
- Environmental Health; and
- Fraud prevention and detection.

A detailed assessment of our performance against the Internal Audit Plan, tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 9 of the planned audit days.

Changes to the 2016/17 Internal Audit Plan

Our original plan indicated that the Compliance review would consider the arrangements in place to protect against cyber threats, including 'phishing' emails. Following a scoping meeting with the interim ICT manager and our specialist cyber security team in July 2016 we understand the Council has already undertaken significant activity in this area, supported by its ICT partners Steria. In agreement with management we will use the 10 days included in the Internal Audit Plan to review the configurations of the security appliances to ensure they meet best practice, and to establish they have embedded in the Council's infrastructure correctly. This work is due to commence in quarter three.

Activity and progress

Ongoing fieldwork

Work is progressing, in line with the internal audit plan, in the following areas:

- **Corporate Governance:** fieldwork has commenced and a draft report is expected to be issued to management in early September;
- **Partnerships:** a scoping meeting was held on the 13 July and terms of reference agreed. Fieldwork is expected to commence in mid-September, once the terms and conditions for the new contract have been agreed; and
- **Compliance:** a scoping meeting was held on the 13 July and we identified that the original scope of work is no longer appropriate. We have proposed to amend the scope of work to focus on the configuration of the security appliances to ensure they meet best practice and to establish they have been embedded in the Council's infrastructure correctly. We expect to issue a terms of reference and commence fieldwork in early October.

Appendix 1: Detailed progress tracker

Ref	Auditable Unit	Indicative number of audit days*	Actual audit days to date	Proposed fieldwork dates	Scoping meeting date	Proposed draft report date	Proposed management response date	Proposed final report date	Audit Committee reporting date
A.1	Finance	15	-	Q3	25/8/16	TBC	TBC	TBC	December 2016
A.3	Compliance	10	1	Q2	13/7/16	TBC	TBC	TBC	December 2016
A.4	Corporate Governance	15	5	Q2	13/7/16	2/9/16	9/9/16	16/9/16	October 2016
A.6	ICT	12	-	Q4	TBC	TBC	TBC	TBC	April 2017
A.7	Estates and Assets	16	-	Q3	25/8/16	TBC	TBC	TBC	December 2016
B.1	Housing	6	-	Q4	TBC	TBC	TBC	TBC	April 2017
B.2	Community Safety	6	-	Q3	25/8/16	TBC	TBC	TBC	December 2016
B.3	Partnerships	10	1	Q1	13/7/16	October 2016	October 2016	October 2016	October 2016
B.4	Environmental Health	6	-	Q3	24/8/16	TBC	TBC	TBC	December 2016
C.3	Housing Benefit	7	-	Q4	TBC	TBC	TBC	TBC	April 2017
C.4	Fraud prevention and detection	7	-	Q3	15/8/16	TBC	TBC	TBC	December 2016
D.1	Project management	8	2	Q1-Q4	NA	NA	NA	NA	NA
D.2	Prior year recommendations follow up	7	-	Q1-Q4	NA	TBC	TBC	TBC	April 2017
D.3	Contingency	5	-	Q1-Q4	NA	NA	NA	NA	NA
	Total audit days	130	9						

Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.

Appendix 2: Overdue recommendations

The following table identifies internal audit recommendations we have made which are currently overdue their expected implementation deadline. In addition, there are 44 internal audit recommendations made by CW Audit Services predating 1 April 2015 which we have not reported here. A discussion was held with the Interim Head of Finance with regards to how management are addressing the significant number of overdue actions going forward and we hope to see a decline in the number of outstanding actions going forwards.

Audit Title	Finding Heading	Finding Rating	Agreed Action	Responsible People	Implementation Deadline	Days Overdue
Adult Safeguarding Policy - Control Design	Adult Safeguarding Policy - Control Design	Low	1) The updated Adult safeguarding policy will be finalised and published. 2) A plan will be developed to demonstrate compliance with the Adult competency framework.	Simon Jones	31/03/2016	133
Building Control	Budget monitoring – control design	Low	1) The Building Control team should have the opportunity to influence the budget setting process to ensure that realistic targets are set within the constraints of regulations over fee setting.2) Budgets should be profiled to incorporate seasonality of income so that budget monitoring is useful and informative. Action plans should be produced from monthly budget discussions.	Jonathan Lee, Nic Thomas	29/02/2016	164
Building Control	Review of individually determined fees – control design	Low	On a regular basis (every quarter) a sample of individually priced fees will be checked and assessed for reasonableness.	Jonathan Lee, Nic Thomas	29/02/2016	164
Building Control	Fees review – control design	Medium	Fees will be revised in line with the Building (Local Authority Charges) Regulations 2010, referring to the CIPFA publication 'Local Authority Building Control Accounting 2010' for practical guidance.	Jonathan Lee, Nic Thomas	31/05/2016	72
Building Control	Strategy for building and marketing a competitive service – control design	Medium	1) The Council will develop a strategy for a competitive Building Control service. A marketing strategy will be incorporated within this to set out how the strategy will be achieved.2) Consideration will be given to reinvesting surpluses in line with the Building (Local Authority Charges) Regulations 2010 and associated CIPFA guidance.	Jonathan Lee, Nic Thomas	31/07/2016	11

Building Control	Documentation and retention of information – operating effectiveness	Medium	1) Formal process notes will be developed.2) Staff will be reminded of the importance of fully completing the application form when it is validated and the fee set.3) The Council will log an inspection on Uniform for each element of inspection rather than logging inspections by date. Documentation will include evidence for what area has been inspected and a brief comment oncondition.4) The correct practice for documenting should be to mark the completion inspection as complete and to add another inspection titled 'Electrics' which is marked complete once the electric certificate has been received. This will be communicated to all staff.5) The Council will consider investing in mobile devices which allow inspectors to document their findings on Uniform whilst on site.6) The Council will establish an effective way to monitor potentially dangerous structures. Inspections could be pre-recorded in Uniform to alert the team when an inspection is required, and a new status created to monitor potentially dangerous structures on Uniform.	Jonathan Lee, Nic Thomas	31/07/2016	11
Closing the loop on referrals - control design	Closing the loop on referrals - control design	Low	1) The Council will determine corporately the extent of follow up of cases required, given current capacity. 2) The Incident Reporting Checklist will be updated to document the correct process and the Incident Forms will be aligned with this. 3) Referrers will be reminded of their responsibility to provide further information to the DSO when received.	Sharon Stacey	31/03/2016	133
Corporate Governance and Risk Management	Timely review of risks – operating effectiveness	Medium	Overdue review dates will be highlighted in quarterly reports to the Finance and Performance Committee, to ensure the committee is fully aware of instances where the review timescales set out in the Risk Management Framework are not complied with. The 'export to Excel' function is currently only available via the 'Risk' screen of TEN. This function will also be added to the TEN screen most commonly used by risk owners, to make it easier for them to update risks. Consideration will be given to making resources available for a comprehensive monthly review of all corporate and service risks, enabling review reminders to be sent out to risk owners when relevant.	Julie Kenny	30/04/2016	103
Corporate Governance and Risk Management	Documentation of risks – operating effectiveness	Low	The three risks identified in testing will be updated to include mitigating actions. Risk owners will be reminded that mitigating actions should be fully documented and that training is available on the terminology if required.	Julie Kenny	03/05/2016	100
Corporate Governance and Risk Management	Preparation of the Annual Governance Statement – control design	Low	The Annual closedown procedure notes and timetable should be updated to include reference to production of the Annual Governance Statement.	Julie Kenny	03/05/2016	100
Document management	Document management – control design	Low	1) The Council will implement plans to set up a test system on Anite. 2) Once in operation, resources will be made available to allow previous cases to be entered onto the Anite database.	Rachel Burgess	31/07/2016	11

– control design						
Financial Systems	Bank reconciliations are not regularly performed – operating effectiveness	High	The outstanding bank reconciliations for 2015/16 will be performed and reviewed according to the new schedule.· From 2016/17 bank reconciliations will be performed and reviewed monthly by appropriate named officers.	Ashley Wilson, Ilyas Bham	01/05/2016	102
Financial Systems	Use of purchase orders – operating effectiveness	Low	Communicate to officers that purchase orders should be used for all purchases (allowing for identified exceptions) to ensure that procurement controls are not bypassed.· Consider returning invoices which do not contain purchase order details to suppliers in order for a purchase order to be raised prior to payment.	Ilyas Bham	31/03/2016	133
Financial Systems	Expense claims – operating effectiveness	Low	The Council will ensure that the expenses policy is communicated effectively to all officers.	Julie Stay	31/03/2016	133
Financial Systems	Reconciliations between sub ledgers and the general ledger are not reviewed – operating effectiveness	Medium	Reconciliations will be reviewed and signed off as accurate and complete by an appropriate, independent officer.· A schedule for performing and reviewing reconciliations will be created so responsibilities are clear. Adherence to the schedule will be monitored by a senior officer.	Ilyas Bham	01/05/2016	102
Financial Systems	Changes to supplier details are not monitored effectively – control design	Medium		Ilyas Bham	01/05/2016	102
Financial Systems	Aged debt reporting – control design	Low	Engage with the IT department or the software provider to train finance staff on how to run aged debt reports from the system in the format which is required.· Consider undertaking a one-off exercise to review aged debt and write off where necessary.	Ilyas Bham	30/06/2016	42
Housing Rents	Evidence of Review	Low	Management will review the controls and if they are considered to be necessary actions will be taken to ensure there is evidence of review retained going forward. If management feel there is no added value from the identified controls these will be removed from the programme of work.	Clive Taylor	01/07/2016	41
Housing Rents	Timeliness of control operation – operating effectiveness	Low	A reminder will be sent to staff administrators to inform them of the importance of timely processing.	Clive Taylor	01/07/2016	41

Housing Rents	System access templates – control design	Advisory		Sharon Stacey	01/07/2016	41
Housing Rents	Write-offs – control design	Advisory	The Housing Rent specific write off policy should be finalised and implemented.	Clive Taylor	01/08/2016	10
Housing Repairs Follow Up	Tenant recharge policy – control design	Low	The Council should consider introducing a tenant recharge policy that holds tenants accountable for the cost of repairs that have arisen through their negligence and ensure that processes are in place to enforce this. Procedure notes should be finalised and additional training provided to staff if necessary. Staff should be made aware of the importance of uploading documents to the file and evidencing phone conversations.	Mark Tuff	31/03/2016	133
Housing Repairs Follow Up	Integrator systems administration – control design	Advisory	Action An Integrator Systems Administrator should be nominated and consideration given to sourcing training to enable them to input data into the system and to extract information for planning and budgeting purposes.· The Council will follow the task log created for ProMaster.· A schedule for regular training refreshers should be created following the implementation of ProMaster.	Mark Tuff	31/03/2016	133
Housing Repairs Follow Up	Repairs administration – control design	Advisory	Annual refresher training should be provided to officers.	Mark Tuff	30/06/2016	42
Markets	Action Plan – control design	Advisory	Refine the Action Plan to prioritise actions that will have most impact and should be focussed on. Ensure each action is budgeted accurately to enable accurate financial analysis and monitoring.	Simon Jones	31/03/2016	133
Markets	Policies and Procedures – control design	Low	Review the omitted policy areas and update the policy and procedure documents as appropriate. Update policy to ensure that the date for payment is accurate.	Simon Jones	31/03/2016	133
Markets	Policies and Procedures – operating effectiveness	Medium	Ensure traders who are in rent arrears are chased up and work to establish a payment plan which will enable the Council to collect some, if not all, outstanding rent. Ensure traders are reminded when their insurance is due to expire and that they are unable to trade without valid insurance. Retain paper copies of all insurance documents on file. Ensure that a record of casual traders is kept and casual trader forms are fully completed before a stall is allocated.	Simon Jones	31/03/2016	133
Markets	Cash – control design	Low	Provide training to the Cultural Services Administration Assistant to enable monthly reconciliation of receipts issued to cash banked.	Simon Jones	31/03/2016	133
Revenues and Benefits	Council tax: supporting evidence and review of discounts and exemptions – operating effectiveness	Medium	Assessors will be reminded of the need to ensure the required evidence is obtained before awarding discounts and exemptions. Reviews should be carried out as soon as they become due. Management has been provided with a list of the cases identified above. This should be reviewed by Team Leaders and followed up as necessary.	Sue Williams	29/02/2016	164

Revenues and Benefits	Council tax: reconciliation to VO listing – operating effectiveness	Low	Reconciliations will be signed by an appropriately senior person and dated.	Sue Williams	29/02/2016	164
Revenues and Benefits	NNDR: inspections – operating effectiveness	Low	Reconciliations will be signed by an appropriately senior person and dated.	Sue Williams	29/02/2016	164
Revenues and Benefits	NNDR: reconciliation to VO listing – operating effectiveness	Low	Reconciliations will be signed by an appropriately senior person and dated.	Sue Williams	29/02/2016	164
Safeguarding	Evidence of fulfilling safeguarding responsibilities	Medium	1) The 'further action' section of the Incident Report Form will be reviewed for relevance and modified as necessary. 2) The DSO section of the Incident Report form will be modified to include sections to record the following when no referral is made: ·- rationale for decision not to refer ·- review of decision by a second DSO 3) DSOs will be reminded of the importance of including sufficient documentation on file to ensure the decision making process can be adequately followed.	Sharon Stacey, Simon Jones	09/02/2016	184
Safeguarding - Compliance with the competency framework	Compliance with the competency framework - control design	Low	The Council will design and implement a system to monitor and review self-assessments, this may include sample testing self-assessments on a rolling basis. Responsibility for this will be assigned to an appropriately senior officer.	Julie Stay	29/02/2016	164

Appendix 3. Recent Publications

PwC Publications

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PricewaterhouseCoopers Public Sector Research Centre ('PSRC') produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

All publications can be read in full at *www.psrc.pwc.com/*

Local State We're In 2016

While the challenges that local government faces are no doubt still significant, the shift in feeling that has emerged in the sixth edition of our local government survey is one of a sector on the move; finding innovative new ways of working, looking for new opportunities and forming new partnerships.
However, as they look to 2020, the focus must be on ensuring they have the capacity and capability to deliver on their ambitions.

Beyond Control

The past five years has seen a period of unprecedented change for local authorities in the UK. Councils have been pushed to the point where they are having to ask fundamental questions about their place in society. Communities too are undergoing rapid change, and many have begun to use digital platforms to reinforce local connections and create new opportunities for participation. As is the case with forward thinking organisations in all industry sectors, the leading local authorities are already considering how best to support and harness this capacity.
The councils that will be most successful in the future will seek to take advantage of these changes by letting go of traditional approaches to control. They will focus instead on strategies to share the responsibility of leadership. They will lead by influencing and facilitating, by devolving certain functions and by developing the digital enablers that will encourage greater community participation and resilience. Our Talking Points, Beyond control, suggests five areas where councils should focus on to harness the power of participation.

Good growth for cities 2015: our report on economic wellbeing in UK urban areas

The economic outlook in 2015 has improved, with rising employment and a welcome return to growth of real earnings, which means that the public is finally starting to feel the benefits of recovery.
This is our 4th Good Growth for Cities report where we measure the performance of the UK's largest cities against a basket of ten categories defined by the public, and business, as key to economic success and wellbeing.
This year, we've also looked at the 'Northern Powerhouse' for the first time, which can be used in the future to assess the success of the move to devolve powers from a good growth perspective.
To deliver on the potential of decentralisation however, local institutions need to have the local leadership, capacity and capability as well as the accountability arrangements in place to support their case to government for further powers - and ensure good growth outcomes are achieved.

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