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Internal Audit Progress Report 2017/18

***Hinckley and
Bosworth Borough
Council***

April 2018

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Summary



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 any other matters that are relevant to your responsibilities.

Progress against the 2017/18 internal audit plan

The draft 2017/18 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 22 June 2017. We have continued to assess the plan to make sure it remains appropriate and some changes are proposed to the plan which are detailed later in this report.

Activity in the period



Activities in the period

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

Final reports issued:

- Continuous auditing Q3
- Section 106
- Housing repairs
- Environmental health

Fieldwork completed and draft report issued:

- Legal
- Revenues and benefits partnership
- Compliance – food hygiene

Fieldwork completed

- Follow up of prior year recommendations
- HR – sickness and absence

Fieldwork in progress

- Continuous auditing Q4

Progress against plan (1 of 2)

Progress against 2017/18 internal audit plan

Ref	Auditable Unit	Audit days*	Q	Comments	Audit Sponsor
A Cross cutting services					
A.1	Compliance	10	Q3	Complaints - Review completed and final report issued Food Hygiene – Fieldwork completed and a draft report issued 26 th March 2018.	Julie Kenny
A.2	Corporate governance / risk management	13	Q2	Risk Management – Review completed and final report issued Business Continuity – flagged with management, unable to arrange a scoping meeting to discuss the scope of the review.	Julie Kenny
B Corporate Services					
B.1	Legal services	7	Q2	Draft report issued 15 December 2017, following fieldwork which took place during October 2017. Email correspondence received 8 th February 2018, since requested discussion with management to finalise the report.	Aftab Razzaq
B.2	HR and transformation	8	Q4	Fieldwork undertaken during the week commencing 12 th March, currently in review a draft report to be shared shortly.	Julie Stay
B.6	Finance	15	Q1-4	Q3 review complete and final report issued Q4 fieldwork currently in progress and a draft report will be shared shortly. Section 106 monies – review completed and final report issued	Ashley Wilson
B.7	Estates and assets	10	Q3	Review removed from the plan	Malcolm Evans
C Community services					
C.4	Housing options	8	Q2	Review completed and final report issued 2 nd March 2018.	Jo Wykes
C.5	Private sector housing	8	Q3	Review to focus on Lightbulb project – to be removed from the plan.	Rosemary Leach

* 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.

Progress against plan (1 of 2)

Progress against 2017/18 internal audit plan

Ref	Auditable Unit	Audit days*	Q	Comments	Audit Sponsor
C.7	Strategic and community planning	8	Q4	Review removed from plan	Edwina Grant
D	Environment and planning				
D.1	Environmental Health	8	Q3	Review completed and final report issued 2 nd March 2018.	Steve Merry
E	Revenues and Benefits Partnership				
E1-4	Revenues and benefits partnership	12	Q3	Draft report issued 9 th February 2018, comments from management received 23 rd February 2018, since then PwC have requested a meeting with management to discuss the report and findings.	Sally O'Hanlon

* 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.

Progress against plan (2 of 2)



Changes to the Internal Audit Plan

We have continued to review our Internal Audit plan on an ongoing basis to ensure that it considers your risks and, where appropriate, we have proposed changes to that plan to reflect your circumstances. We have set out below the changes proposed and the rationale for each change for the Audit Committee to note.

Proposed change / additional review	Impact on planned days	Rationale for change
Available days brought forward	-12	As previously reported
Compliance – Food hygiene	+5	Additional Food hygiene review added to audit plan
Strategic and community planning	-8	Scoping meeting held with Director of Community Services and determined that the review will be removed from the plan and used to extend the scope of other reviews.
Total	-15	We have tried to discuss the available days with management in order to understand where additional support can be provided.

**Appendix A: Outstanding
audit actions**

**Appendix B: Internal audit -
Key performance indicators**

**Appendix C: Analysis of
days included in plan**

**Appendix D: Thought
leadership**

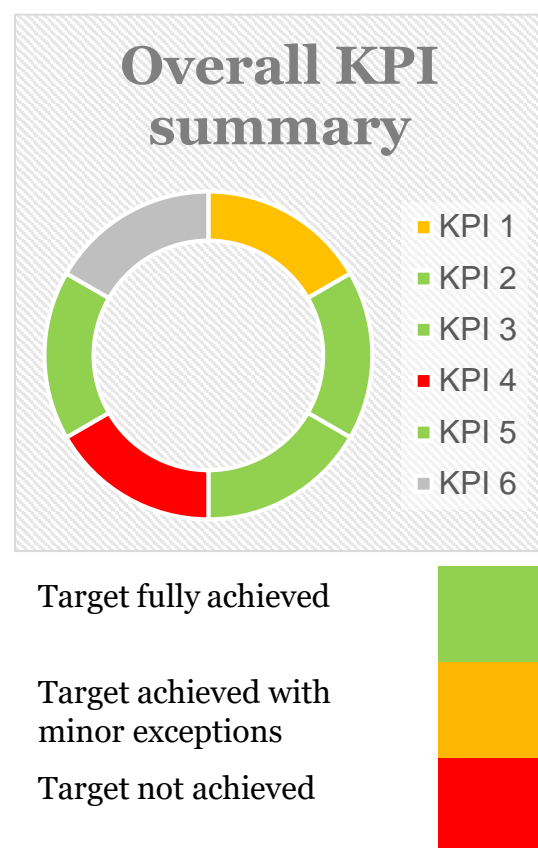
Appendices

Appendix A: Outstanding audit actions

There has been a significant focus on updating the traction site to update the status of outstanding audit recommendations. The table below shows the currently open findings. We have undertaken a review of closed audit actions and will present a report to the next meeting of the Audit Committee.

Audit Year	Audit Title	Total
2016	Corporate Governance and Risk Management	5
	Financial Systems	1
	Housing Rents	4
	Markets	2
	Community Safety	4
2017	Corporate Governance	1
	Estates and Assets	4
	Finance	1
	I.T. Partnership	1
	Information and cyber security review	6
2018	Corporate Governance and Risk Management	2
Grand Total		32

Appendix B: Internal audit - Key performance indicators



KPI	Target	Actual results for year to date	Comments
1) Audits budgeted v actual	+/- 10 plan days	-15	We have tried to discuss the available days with management in order to understand where additional support can be provided.
2) % of audits with Terms of Reference	100%	100%	Terms of reference have been agreed for reviews as set out in the Activity in the Period section.
3) % of audits with an exit meeting	100%	100%	Closing meetings have been held at the end of fieldwork with the relevant audit contacts to discuss findings, followed by a draft report shared with all responsible individuals.
4) Draft reports issued promptly	100%		There has been a delay in the issuing of draft reports compared with the dates identified in the terms of reference of between 1 week and 4 weeks. Where significant delays were experienced - for legal services and section 106 this was owing to outstanding information required to conclude the review.
5) Attendance at Audit Committee	100%	100%	Agreed with management that attendance at the September Audit Committee was not required as it was focused on the external audit.
6) Overall client satisfaction score	9/10	NA	Feedback will be requested at the end of the year

Appendix A: Outstanding audit actions

Appendix B: Internal audit - Key performance indicators

Appendix C: Analysis of days included in plan

Appendix D: Thought leadership

Appendix C: Analysis of days included in plan

Ref	Auditable Unit	Q	Audit days	Audit days used to date
A	Cross cutting services			
A.1	Compliance	Q3	10	15
A.2	Corporate governance / risk management	Q2	13	7
B	Corporate Services			
B.1	Legal services	Q2	7	7
B.2	HR and transformation	Q4	8	7
B.6	Finance	Q3 Q1-4	15	18
B.7	Estates and assets	Q3	10	0
C	Community services			
C.4	Housing options	Q2	8	12
C.5	Private sector housing	Q3	8	0
C.7	Strategic and community planning	Q4	8	0
D	Environment and planning			
D.1	Environmental Health	Q3	8	8
E	Revenues and Benefits Partnership			
E1-4	Revenues and benefits partnership	Q3	12	12

Ref	Auditable Unit	Q	Audit days	Audit days used to date
F	Project Management			
F.1	Prior year recommendation follow up	Q1-Q4	7	9
F.2	Project management	Q1-Q4	8	6
F.3	Contingency	Q1-Q4	3	0
Total days			125	101

Appendix D: Thought leadership

The Low Carbon Economy Index 2017

Tracking the progress G20 countries have made to decarbonise their economies since 2000.

Is Paris possible? Not at this rate

In 2016, global GDP growth was 3.1% but emissions showed signs of stabilising, growing by only 0.4%. This means carbon intensity – emissions per dollar of GDP – fell by 2.6% in 2016. Carbon intensity has fallen at approximately this rate since 2014 - a clear step change from the historical rate. While the recent decarbonisation rate is nearly double the average since 2000, it falls just short of the 3% average decarbonisation rate required to achieve the national targets pledged in the 2015 Paris Agreement.

More importantly, this rate is less than half of the 6.3% decarbonisation rate needed to limit global warming to well below two degrees - the main objective of the Paris Agreement.

Some countries are leading the pack

There are signs that some countries are sustaining a low carbon transition. The leaders in our Index - UK, China, Mexico and Australia - all reduced emissions while growing their economies. In UK and China this is particularly driven by policies to reduce coal consumption.

But progress is inconsistent

Although countries such as the UK and China substantially reduced their use of coal, this was offset by increases in coal demand in India, Indonesia and Turkey. As a result, coal consumption, which provides one third of the world's energy, fell modestly by 1.4%. Demand for gas and oil both continued to grow by 1.8% in 2016. Solar and wind output grew at 30.0% and 15.9% respectively last year, but these still only account for a small share of the global energy system.

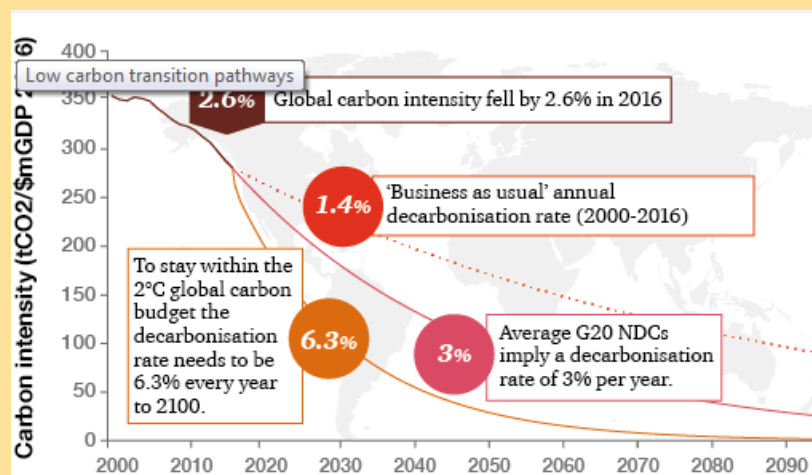
Paris is only possible with accelerated action

In future we project global average economic growth of 2.1%, so carbon emissions need to fall by over 4% every year average to hit the two degrees target. The considerable gaps between current progress, the national targets and the global goal highlight the risks to business and society.

Top Performers

Top performers in 2016 are the UK and China, who reduced their carbon intensities by 7.7% and 6.5%. Both exceeded their NDC targets and the annual global decarbonisation rate required to limit warming to two degrees. However, these countries are the exceptions rather than the rule - the rest of the G20 didn't do so well.

Read the full report at: <https://www.pwc.co.uk/services/sustainability-climate-change/insights/low-carbon-economy-index.html>



Appendix D: Thought leadership

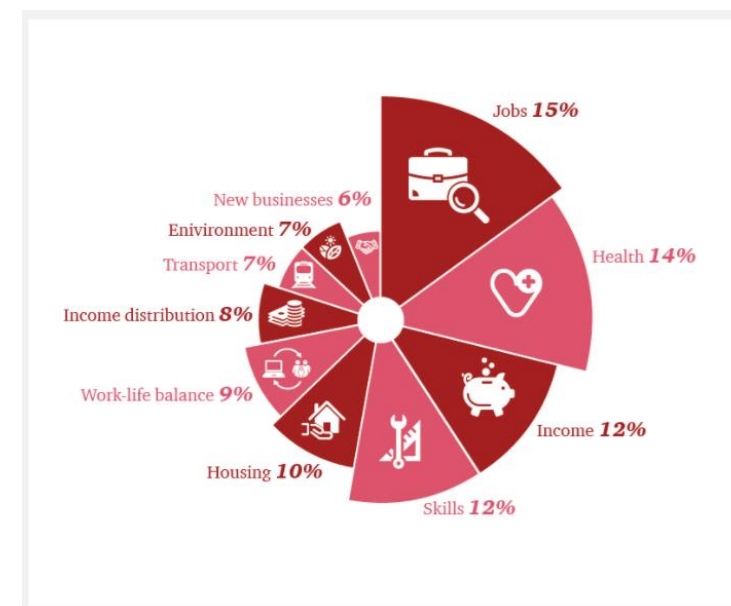
PwC's Good Growth for Cities Index

Summary

Place based inclusive growth is now firmly on the agenda as a key priority for the Government, with its stated ambition to deliver an “economy that works for all”.

This, in turn, means that success needs to be judged in new ways: factors like health, housing affordability and quality of life need to be put alongside jobs, skills and incomes when we measure good growth. Importantly, places need to see success through the eyes of what the public wants and needs, in both an economic and social sense.

Now in its sixth year, the Demos-PwC Good Growth for Cities Index measures the current performance of a range of the largest UK cities, and all Local Enterprise Partnership areas in England, against a basket of ten indicators based on the views of the public and business as to what is key to economic success and wellbeing.



Implications for cities

This year's Index highlights four broad implications for city leaders, working with their business and educational partners and the public to deliver good growth: Shape visions/identities and economic development strategies to achieve inclusive, place based growth supported by local industrial strategies spanning skills, infrastructure, innovation and business growth.

Use the assets in a place to leverage investment and attract talent and finance, post-Brexit, by being investor ready and capturing value in new ways. Cities need to grasp the impacts, understand their strengths and weaknesses in a post-EU landscape and develop a prioritised action plan to attract business investors and employees. This includes cities stepping up and proactively going abroad on a city-to-city basis to find investment, develop trading links and promoting exports.

Build the case to secure additional fiscal powers as part of a re-booted devolution deals process.

Delivering good growth cannot be achieved by any one person working alone but goes hand-in-hand with place based transformation, where local government, central government and the private sector act together and work collaboratively to deliver outcomes and where place based leaders facilitate local economic growth, prosperity and well-being.

Appendix D: Thought leadership

National Minimum Wage – naming and shaming update

Department for Business Energy and Industrial Strategy (BEIS) issued their latest list of employers to be "named and shamed" for failing to pay the National Minimum Wage (NMW). Highlights from the naming and shaming, include;

- 1- there was a record level of both repayments (£1.7m) to a record number of employees (16,000) as well as record level of fines (£1.3m) for non-compliance
- 2- as well as 260 employers being "named and shamed" by BEIS for failing to pay NMW there are more than 2,000 open cases being reviewed by HMRC - showing just how active HMRC have become, and
- 3- HMRC will be spending more than £25m on NMW enforcement this year- this will mean more people are audited, something we are already seeing.

PwC are currently helping more than 70 very large employers (across various industry sectors) with their NMW audits. While there are 2.3 million workers currently covered by the NMW, forecast to rise to 3.3 million by 2020, the technical nature of the NMW breaches that HMRC focus on mean that the Council could face a risk of non-compliance and of being named and shamed as a "rogue employer" as a result.

The Council should be taking action now to self review now and correct before HMRC issue a notice of a NMW audit. We have specialists who have supported a number of other organisations who would be able to support the Council on this issue.

In the event that, pursuant to a request which Hinckley and Bosworth Borough Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the “Legislation”), Hinckley and Bosworth Borough Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Hinckley and Bosworth Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, Hinckley and Bosworth Borough Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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