

# *Internal Audit Report 2017/2018*

## Environmental Health – Pest control

***Hinckley and Bosworth  
Borough Council***

*FINAL*

*March 2018*

▶ Click to launch

# Contents

## *Executive summary*

**1**



## *Current year findings*

**2**



## *Appendices*

- A. Basis of our classifications
- B. Terms of reference
- C. Limitations and responsibilities

---

### **Distribution list**

---

For action: Rob Parkinson, Director –Environment and planning

---

For information: Audit Committee  
Ashley Wilson, Section 151 Officer

---

# Executive summary (1 of 3)

## Report classification



**Low Risk (1 points)**

## Trend

A review of this nature has not been performed in previous years

## Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	0	0	0	1	1
Operating effectiveness	0	0	0	0	1
Total	0	0	0	1	2

## Executive summary (2 of 3)



### Headlines/summary of findings

This review has focused on providing assurance on the design and proper application of controls over Pest Control. The outcome is a report with a low risk rating, as there was one low risk finding:

- **Financial reconciliation (Control design – low risk):** There is a regular reconciliation between invoices from the contractor and the Uniform system, to ensure that the contractor's costs have been authorised. The reconciliation should be signed, dated and reviewed; and

A number of other findings were identified, but the underlying issues and risk have already been addressed by appropriate remedial action and we have classed these as advisory findings.

We would like to thank all the staff involved for their help in supporting this review.

## Current year findings (1 of 3)

### Financial reconciliation

#### Control design

1

#### Finding rating

Rating

Low

#### Finding and root cause

There is a reconciliation between the monthly invoice received from the subcontractor, SDK, and the Uniform system to reconcile charges against jobs performed before any invoice is paid under the normal purchase route.

Testing has demonstrated that the reconciliation is performed, but the reconciliation is not signed or dated and there is no review process.

#### Implications

Reconciliations may not be completed on a timely basis. Reconciling items may not be identified and investigated on a timely basis.

#### Action plan

Since the date of the audit, a new reconciliation system has been introduced to include a signed and date record of actions taken which is formally reviewed. This will ensure that there is evidence of the reconciliation being performed to demonstrate the process is being adhered to.

Responsible person/title:

Simon Smith, Senior  
Environmental Health  
Officer

Target date:

April 2018

## Current year findings (2 of 3)

### Service monitoring

#### Control design

2

#### Finding rating

Rating

Advisory

#### Finding and root cause

Requests for pest control work are given to the subcontractor, SDK, to contact the customer and arrange an appointment. The Council currently receives a report on a quarterly basis detailing the date referred, date contacted and date of first appointment.

Our testing did not identify any issues with regards to the timeliness of visits with residents waiting between 1 and 11 days for an appointment from original request.

#### Action plan

SDK could provide information on a more frequent basis regarding the number of outstanding appointments to ensure the Council has visibility over any delays.

## Current year findings (3 of 3)

### Rates and charges

#### Operating effectiveness

3

#### Finding and root cause

Rates charged to customers are reviewed annually by the Council and updated into SDK's system.

We identified 1 charge of the 25 charges tested, where the prior year rate was charged to customer by SDK. The customer request was received on 03/04/2017 and the charges were not updated until 06/04/2017. This meant the customer was charged £52 instead of £53. This was identified by the Council and already rectified before the audit.

#### Action plan

In the future ensure the correct rates are updated in the subcontractors system on a timely basis.

#### Finding rating

Rating

Advisory



---

**Appendix A: Basis of our  
classifications**

---

**Appendix B: Terms of  
reference**

---

**Appendix C: Limitations  
and responsibilities**

---

# *Appendices*



## Appendix A: Basis of our classifications

### Individual finding ratings

#### Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

#### High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

#### Medium

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

# Appendix A: Basis of our classifications

## Individual finding ratings

Low

A finding that could have a:





- **Minor** impact on the organisation’s operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

Advisory

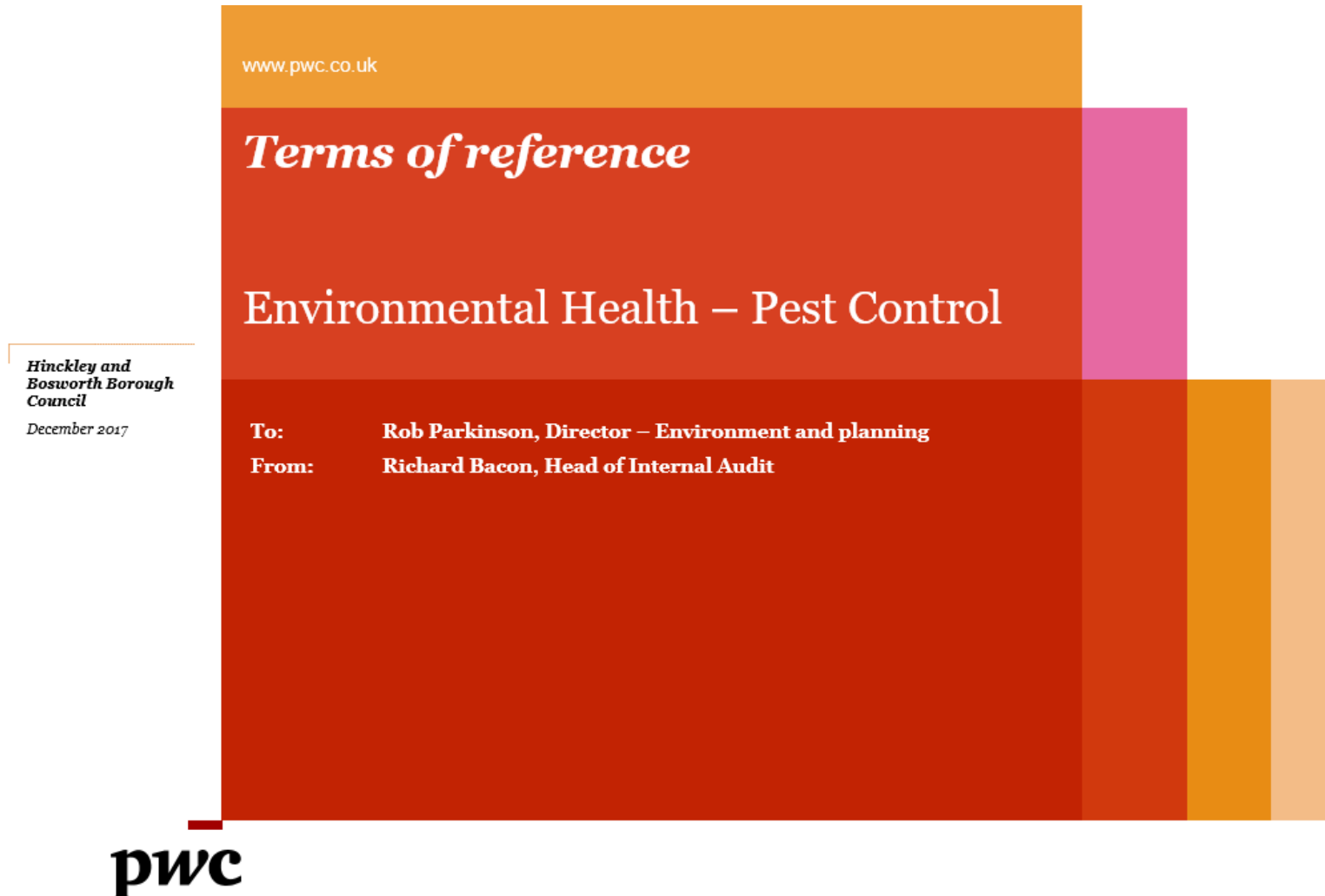
A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

## Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points	Report classification	Risk rating	Points
Critical	40 points per finding		Low risk	6 points or less
High	10 points per finding		Medium risk	7 – 15 points
Medium	3 points per finding		High risk	16 – 39 points
Low	1 point per finding		Critical risk	40 points and over

## Appendix B: Terms of reference



## Background and audit objectives



This review is being undertaken as part of the 2017/18 internal audit plan approved by the Audit Committee.

### Background and audit objectives

The Council currently employs one person in house on a part time basis to provide a local resource, but most of the Environmental Health Pest Control work is carried out by a subcontractor, SDK, which provides pest control services in the area. The contract has been retendered every two years since the service was outsourced in 2013, the latest contract was tender for one year. Residents in receipt of benefits receive the rat treatment service for free, with other services being at a reduced rate. There are set rates for the different services which residents pay per treatment and the Council is recharged the difference between the cost incurred and charged cost on a monthly basis which it reconciles with the jobs performed. A rat treatment consists of three visits and if the matter is not resolved the Council's in house officer will take over responsibility for dealing with the problem and escalate as appropriate.

The Council has a good working relationship with the subcontractor and receives information on a timely basis regarding services delivered and customer feedback.

There are no specific areas of concern and the review will consider the existing systems in place with regards to service provision, finances and record keeping to provide assurance that the service is operating as designed and has in place an effective system of governance and control.

## Audit scope and approach (1 of 2)



### Scope

We will review the design and operating effectiveness of key controls in place relating to the auditable unit during the period April 2017 to the date audit fieldwork.

The sub-processes, risks and related control objectives included in this review are:

Sub-process	Risks	Objectives
Systems and processes	<ul style="list-style-type: none"> <li>The Council does not have adequate processes to consistently deliver the service</li> <li>Services are being delivered at a discounted rate for those who are not eligible</li> </ul>	<ul style="list-style-type: none"> <li>The Council has in place adequate systems and processes for responding to pest control requests</li> <li>There are checks undertaken to demonstrate that the free service is delivered appropriately for residents in receipt of benefits</li> </ul>
Financial reconciliations	<ul style="list-style-type: none"> <li>The Council are paying for services which have not been delivered</li> </ul>	<ul style="list-style-type: none"> <li>The Council reconciles, on a monthly basis, the number of jobs delivered and the expenditure charged</li> </ul>
Service provision	<ul style="list-style-type: none"> <li>Residents are dissatisfied with the service they receive</li> </ul>	<ul style="list-style-type: none"> <li>The Council receives feedback on a timely basis regarding the quality of service provision and any complaints are escalated within the Council</li> </ul>

## Audit scope and approach (2 of 2)



### Limitations of scope

The scope of our work will be limited to those areas outlined above. Our review will be performed in the context of the information provided to us. Where circumstances change the review outputs may no longer be applicable.

### Audit approach

Our audit approach is as follows:

- Obtain an understanding of the auditable unit through discussions with key personnel and review of systems documentation;
- Identify the key risks of the auditable unit;
- Evaluate the design of the controls in place to address the key risks; and
- Test the operating effectiveness of the key controls.

## Internal audit team and key contacts



### Internal audit team

Name	Role	Contact details
Richard Bacon	Head of Internal Audit	richard.f.bacon@pwc.com
Jodie Stead	Internal Audit Manager	jodie.a.stead@pwc.com
Mark Vu	Internal Audit Team Member	bach.h.vu@pwc.com

### Key contacts – Hinckley and Bosworth Borough Council

Name	Title
Ashley Wilson	Section 151 Officer
Rob Parkinson	Director – Environment and planning
Simon Smith	Senior Environmental Health Officer - pollution

## Timetable and information request



### Timetable

Fieldwork start	29 January 2018
Fieldwork completed	2 February 2018
Draft report to client	23 February 2018
Response from client	2 March 2018
Final report to client	9 March 2018

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request.
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.

*Please note that if Hinckley and Bosworth Borough Council requests the audit timing to be changed at short notice and the audit staff cannot be deployed to other client work, Hinckley and Bosworth Borough Council may still be charged for all/some of this time. PwC will make every effort to redeploy audit staff in such circumstances.*

### Information request

Copies of any procedures or process notes for the area

Access to the monthly reconciliations

Listing of all jobs undertaken between April 2017 and the date of the audit fieldwork

Access to reports from SDK regarding current performance



## Appendix C: Limitations and responsibilities

### *Limitations inherent to the internal auditor's work*

We have undertaken this review subject to the limitations outlined below:

#### *Internal control*

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### *Future periods*

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

### *Responsibilities of management and internal auditors*

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

This document has been prepared only for Hinckley and Bosworth Borough Council and solely for the purpose and on the terms agreed with Hinckley and Bosworth Borough Council in our agreement dated 10 May 2016. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

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.

© 2018 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

151118-224115-GC-OS