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Internal Audit Report 2017/2018

Legal services

***Hinckley & Bosworth
Borough Council***

FINAL

May 2018

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Distribution list

For action:	Aftab Razzaq (Legal Services Manager) Rachel Demeda (Paralegal)
For information:	Audit Committee Julie Kenny - Director, Corporate Services

Executive summary (1 of 2)

Report classification



Low Risk (4 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	1	0	0
Operating effectiveness	0	0	0	1	0
Total	0	0	1	1	0

Executive summary (2 of 2)



Headlines/summary of findings

The legal services team identified that there is no central record of all agreements entered into by the Council. Although the Council uses IKEN as its legal services case management system this does not have the functionality to report on agreements entered into. A manual spreadsheet has been collated which details agreements since June 2017 and references to both IKEN and physical locations in the deeds room.

This review looked in detail at the arrangements for records management, time management and delegated decisions at the Council. The outcome is a report with a low risk rating, as there was one medium and one low risk finding:

- **Records management (medium risk):** although the Council has introduced a new method of collating information since June 2017, there are still problems with this process. Any records from before 2012, when IKEN was introduced, are not scanned electronically therefore only hardcopy documents are available and we identified physical agreements post 2012 which were not recorded on IKEN. Similar issues regarding completeness and visibility were identified in relation to the prosecution case files; and
- **Delegated authority (low risk):** Since September 2017, standardised forms have been introduced which should be completed when a decision is taken using a delegated authority. However, from discussions with the legal services team it is understood that these forms are not used consistently.

Appropriate procedures have recently been put in place for to support Legal services in the retention and maintenance of documents going forward. Implementation of the recommended actions in the discrete areas around records management would strengthen the process.

Our testing on time management did not identify any issues and we identified that the quotes for legal work performed for Charnwood Borough Council and alignment to actual time spent was consistent.

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

Current year findings (1 of 2)

Records Management

Operating effectiveness

1

Finding rating

Rating

Medium

Finding and root cause

The Legal Services Team identified that there was no central complete record of all hardcopy legal agreements entered into by the Council. Since June 2017 a manual spreadsheet has been developed which includes details of each case file and its physical location within the deeds room along with details of the IKEN reference, the electronic case management system. Testing of the spreadsheet identified 1 file of the 5 tested whereby the IKEN record number recorded on the spreadsheet did not match the actual record number recorded on IKEN.

Since the spreadsheet has only been in use since June 2017 an additional test has been performed to trace hardcopy deeds to the information recorded on IKEN to ensure there is an adequate record to locate the hardcopy deeds. The testing identified that 5 of the 10 deeds tested were not recorded electronically on IKEN. Of these, 2 did have IKEN records but the final signed document was not scanned onto the IKEN record.

IKEN was introduced in 2012 as the Council's electronic case management system. Any records entered into before 2012 do not feature either on the manual spreadsheet or IKEN system and instead only the hard copy documents exist in the deeds room. This raises a risk around the completeness of records and ability to locate and access older records.

Prosecution files are kept in a locked cabinet within the legal services team, however there is no central record of these documents and no means for ensuring the documents retained are complete.

Implications

Whilst there is no centralised record of all legal agreements entered into by the Council there is a risk that there is insufficient oversight and accountability for all arrangements.

There is a potential risk around the accessibility of legal agreements and the Council's processes to ensure that all files can be easily located.

Current year findings (1 of 2)

Records Management (continued)

Operating effectiveness

1

Action plan

The annual spreadsheet should continue to be used to ensure there is an adequate, complete record of all new agreements and their physical and electronic location.

Where hardcopy documents are present in the deeds room an activity should be undertaken to scan these onto IKEN or at least some other form of indexation so the Council is aware of what hardcopy documents there are.

Consideration should be given to creating a centralised spreadsheet for the prosecution documents, similar to that created for deeds to ensure that there is a complete listing of all documents.

Responsible person/title:

Aftab Razzaq, Legal Services Manager

Target date:

July 2018

Current year findings (2 of 2)

Delegated Authority

Control design

2

Finding rating

Rating

Low

Finding and root cause

Since September 2017, standardised forms have been introduced which should be completed when a decision is taken using a delegated authority. However, from discussions with the legal services team it is understood that these forms are not being used consistently and many people are still confirming the use of a delegated decision by email. As at the date of testing, during October 2017 only 2 forms had been completed.

Implications

There is currently no central record demonstrating the authorised use of a delegated decision, which may lead to incomplete records being retained.

Action plan

The use of the standardised forms should be enforced and all staff taking delegated decisions reminded of the need to complete these forms rather than relying on an email confirmation.

Responsible person/title:

Aftab Razzaq, Legal Services Manager

Target date:

July 2018



**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
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Option A	Points
	Low risk	6 points or less
	Medium risk	7 – 15 points
	High risk	16 – 39 points
	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

Hinckley and Bosworth Borough Council's legal services team currently use a case management system to record details of all cases undertaken by the team. Senior officers are keen to ensure the system is used to its full potential and consistently by all staff members.

The legal services team are in the process of collating a central record of all agreements entered into by the Council and maintaining this going forwards. We will review the process which the Council has undertaken to create such a record and consider the suitability of this in addition to considering the ability to achieve a complete record of agreements going forwards.

The case management system has the functionality to monitor time spent on individual cases. This is used to inform the costs charged to Charnwood Borough Council for the legal services performed and the Council is keen to ensure that the time spent is accurately recorded to ensure the completeness of costs recovered from the other Councils.

A new process is being introduced to ensure that the use of all delegated authorities are recorded and communicated to the Democratic Services Officer as part of the completion of legal agreements to ensure the completeness of Council records. We will review this process, test compliance and consider its suitability to achieve the desired objectives.

Audit scope and approach (1 of 2)



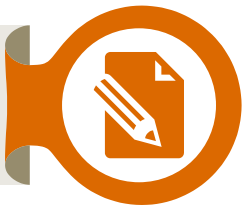
Scope

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
Records management	The Council does not have clear oversight of all the legal agreements it has entered into	<ul style="list-style-type: none"> The Council has a clear process for using the case management system and ensuring adequate records are maintained for all legal agreements the Council has entered into.
Time management	The Council are failing to recover costs incurred in relation to the legal services provided to other Councils	<ul style="list-style-type: none"> The legal services team effectively use the time management functionality within the cast management system to ensure that all time spent on work relating to other Councils' is recorded.
Delegated authority	The Council has insufficient records to ensure the completeness of transparency reporting	<ul style="list-style-type: none"> The Council has a defined process whereby the use of a delegated authority is recorded and communicated to the Democratic Services Officer.

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.

This review will consider the use of delegated authority within legal services. There maybe some cross over with the risk management and corporate governance review. We will review the findings identified within this review and ensure findings are not double counted.

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
Saarah Shah	Internal Audit Team Member	saarah.shah@pwc.com

Key contacts – Hinckley and Bosworth Borough Council

Name	Title
Ashley Wilson	Section 151 Officer
Julie Kenny	Director – Corporate Services
Aftab Razzaq	Legal services manager

Timetable and information request



Timetable

Fieldwork start	9 th October 2017
Fieldwork completed	13 th October 2017
Draft report to client	3 rd November 2017
Response from client	10 th November 2017
Final report to client	17 th November 2017

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

Listing of all legal agreements completed since April 2017 to agree there is an appropriate delegated authority form completed

Copy of the database detailing all deeds entered into by the Council

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.

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