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**Tuesday, 29 January 2019**

**Chairman: Councillor Mrs S Michael**

**Members of the Committee:**

**Councillor B Crowe  
Councillor Mrs G Dawn  
Councillor P Handley  
Councillor D Payne  
Councillor B Wells**

**MEETING: Audit & Accounts Committee**

**DATE: Wednesday, 6 February 2019 at 10.00 am**

**VENUE: Civic Suite, Castle House, Great North Road,  
Newark, Notts, NG24 1BY**

**You are hereby requested to attend the above Meeting to be held at the time/place  
and on the date mentioned above for the purpose of transacting the  
business on the Agenda as overleaf.**

If you have any queries please contact Helen Bayne on [Helen.Bayne@newark-sherwooddc.gov.uk](mailto:Helen.Bayne@newark-sherwooddc.gov.uk).

Any questions relating to the agenda items should be submitted to Nick Wilson- Business Manager - Financial Services, at least 24 hours prior to the meeting in order that a full response can be provided.

## AGENDA

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1. Apologies for Absence	
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12. Review of significant internal control issues highlighted in the Annual Governance Statement	32 - 40
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## NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit & Accounts Committee** held in the Civic Suite, Castle House, Great North Road, Newark, Notts, NG24 1BY on Wednesday, 28 November 2018 at 11.00 am.

PRESENT: Councillor Mrs S Michael (Chairman)

Councillor B Crowe, Councillor P Handley and Councillor B Wells

APOLOGIES FOR ABSENCE: Councillor D Payne

57 DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

That no Member or Officer declared any interest pursuant to any statutory requirement in any matter discussed or voted upon at the meeting.

58 DECLARATION OF ANY INTENTIONS TO RECORD THE MEETING

There were no declarations of intention to record the meeting.

59 MINUTES OF THE PREVIOUS MEETING

AGREED That the Minutes of the meeting held on 25 July 2018 be approved as a correct record and signed by the Chairman.

60 TREASURY PERFORMANCE HALF-YEARLY REPORT

The Assistant Business Manager- Financial Services presented the Treasury Management Performance half yearly report. The report provided an update on the Council's treasury activity and prudential indicators for the first half of 2018/19. None of the Prudential Indicators have been breached and a prudent approach had been taken in relation to the investment activity, with priority being given to security and liquidity over yield.

Members noted the new international financial reporting standard (IFRS) 9- Financial Instruments. Officers had prepared workings papers for all the current live investments that were held before IFRS9 was implemented, on the business model of 'achieve objectives by collecting contractual cash flows' and confirmed with the Councils External Auditors, Mazars, that the impact would be immaterial.

Members considered the prudential indicators, the economic background and local context, levels of borrowing and investment activity. Members noted that the Council had been notified by Lloyds bank plc, the Councils current banking service providers, that they had reviewed the contractual arrangement with its local authority customers, and concluded that each local authority should enter into an agreement where a set off or transfer of credit balances in accounts held with the bank, in or towards the satisfaction of any liabilities can be carried out. The Council had been

successfully operating this process since transferring over to Lloyds in 2017 and the agreement allowed the Council to continue to have credit and debit balances across all of its Lloyds bank accounts.

Members considered, in detail, the capital expenditure for 2018/19. The Committee requested a report at their next meeting detailing carry forwards and the process for seeking approval for a carry forward, and a comparison on the carry forward from 2017/18. They were concerned that the Council would be required to undertake borrowing to fund projects which were then carried forward. The Business Manager-Financial Service explained that there was no borrowing at the moment, and where possible, internal borrowing would be preferential, to avoid interest costs.

AGREED

- (a) that members approve the new Prudential Indicator for Interest Rate Exposure contained within the Treasury Management Strategy as per section 5 and recommend to full Council on 11 December;
- (b) the treasury activity be noted;
- (c) the Prudential Indicators detailed in Section 10 of the report be noted;
- (d) the business model applied to all current investment re IFRS9, section 4.5 and section 9.2, is to 'achieve objectives by collecting contractual cash flows'; and
- (e) the Lloyds Set Off agreement as detailed at 12.1 and 12.2 is noted and approved.

61 EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2017/18

The Business Manager- Financial Services, presented the External Auditors Annual Audit Letter, 2017/18. He explained that KPMG had now been replaced by Mazars, and as such this was the last report from KPMG the Committee would receive.

KPMG had issued an unqualified opinion on the Statement of Account and Value for Money arrangements on 31 July 2018. Members noted an additional fee of £2,398 for additional work undertaken in relation to the valuation and sale of Kelham Hall. Helen Brookes of Mazars confirmed that the fee would be subject to approval by Public Sector Audit Appointments.

AGREED that the Committee considered the External Auditor's Annual Audit Letter 2017/18.

62 INTERNAL AUDIT PROGRESS REPORT

The Principle Auditor- Assurance Lincolnshire was in attendance to present the Internal Audit Progress report. The Committee heard that 7 audits had been issued during the period, ICT PCIDSS with limited assurance and a further 6 with substantial assurance. These were IR35, S106, Risk Management, Active4Today creditors, Key controls and ICT Meritec system.

Regarding the ICT PCIDSS audit, the Business Manager- Financial Services reported a reply from the Assistant Business Manager ICT. He reported that ICT had made significant progress towards PCI compliance and had tried to achieve this over a 4 year period. A recent audit suggested that ICT start a fresh on PCI-DSS, which would begin January 2019 with an expected completion date by April 2019. Previous GAP analysis suggests that the whole network was in scope, therefore a Self-Assessment level D was likely. Information provided suggests this was due to telephone payments taken without a midcall solution which hands off the payment phone calls to an external provider and then confirms the payment has been taken.

Members also noted audits in progress and outstanding recommendations. A 'spot check' of 6 recommendations revealed that all 6 had been implemented and there was sufficient evidence to support the actions taken.

AGREED that the Committee considered and noted that progress report.

### 63 COUNTER-FRAUD ACTIVITY REPORT

The Business Manager- Financial Services presented a report detailing the Counter Fraud activities undertaken from 1 April 2018 to 30 September 2018.

Members noted that since 1 December 2015, 105 potentially fraudulent claims for housing benefit have been referred to the Fraud and Error Service for investigation. An annual strategic risk review was completed with CMT during July 2018. This considered all risks that the Council faced inclusive of the fraud risks. It was felt that the fraud risks needed to be held with more prominence within the performance management system to ensure that they were reviewed in timely intervals and to help develop practical measures to mitigate the risks. The fraud risks had been re-categorised as operational risks.

Work on the National Fraud Initiative 2018/19 would commence in January 2019. During 2017/18 period initiative, 1,229 Council Tax single person discount awards were investigated. Of the matches generated by NFI, 60 cases of suspected fraud were identified amounting to £17,226.

AGREED that the report be noted.

### 64 RESPONSES TO QUESTIONS RAISED AT PREVIOUS MEETING

In response to a query regarding hybrid mail, the Business Manager- Financial Services informed the Committee that the current status of Hybrid Mail was the the existing contract with Canon Business Services had been extended for 2 months up to 30 November 2018 to enable the Council to complete the User Acceptance Testing for the new contract. The new contract would use the same software platform to process mail but use Nottinghamshire County Council (NCC) to print, fulfil the envelopes and post it. It was anticipated that there would be an improvement in doorstep mail delivery times due to the fact that mail is fulfilled 'locally' by NCC within Nottinghamshire and handed over to Royal Mail in Nottingham for processing and subsequent delivery to addressees within our District.

65 AUDIT COMMITTEE WORK PROGRAMME

The Committee noted the Work Programme.

66 DATE OF NEXT MEETING

Wednesday 6 February 2019, 10am, Castle House.

Meeting closed at 11.52 am.

Chairman

## **AUDIT AND ACCOUNTS COMMITTEE**

**6 FEBRUARY 2019**

### **TREASURY MANAGEMENT STRATEGY STATEMENT**

#### **1.0 Purpose of Report**

1.1 This report seeks approval for the Treasury Management Strategy, which incorporates the Borrowing Strategy, Investment Strategy, and Treasury Prudential Indicators, updated in accordance with latest guidance.

#### **2.0 Background Information**

2.1 Treasury Management is defined as “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2.2 Statutory Requirements:

- It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level that is affordable for the foreseeable future, after taking into account the following issues:
  - Increases in interest payments caused by increased borrowing to finance additional capital expenditure.
  - Any increases in running costs from new capital projects.
- The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes to set Treasury Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.
- The Act therefore requires the Council to set out its Treasury Strategy for Borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act). This sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

2.3 CIPFA Requirements:

The primary requirements of the Code are as follows:

- The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities;

- The creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy, a Mid-year Review Report and an Annual Report covering activities during the previous year;
- Delegation by the Council of responsibilities for implementing and monitoring Treasury Management Policies and Practices and for the execution and administration of treasury management decisions;
- Delegation by the Council of the role of scrutiny of Treasury Management Strategy and Policies to a specific named body. For this Council the delegated body is the Audit and Account Committee.

2.4 This report seeks approval for the updated Treasury Management Strategy 2019/20 (Appendix A), which encompasses the Treasury Prudential Indicators, the Borrowing Strategy, and the Annual Investment Strategy, in accordance with latest guidance as follows:

- The Treasury Management Strategy determines the manner in which the Council's treasury function is managed;
- The Treasury Prudential Indicators set out the expected capital activities during the financial year (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities). The treasury management prudential indicators are now included as treasury indicators in the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The key indicator is the Authorised Limit, i.e. the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is required by paragraph 3 of the Local Government Act 2003, and is calculated in accordance with the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and the CIPFA Prudential Code.
- The Borrowing Strategy sets out how the Council's treasury service will support the capital decisions taken; the day to day treasury management activity; and the limitations on activity through treasury prudential indicators;
- The Annual Investment Strategy sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

### **3.0 Proposals**

3.1 A copy of the Treasury Management Strategy 2019/20 is attached as an Appendix to this report.

### **4.0 RECOMMENDATION(S)**

That Committee approves each of the following key elements and recommends these to Full Council on 7th March 2019:



- 4.1 The Treasury Management Strategy 2019/20, incorporating the Borrowing Strategy and the Annual Investment Strategy (Appendix A).
- 4.2 The Treasury Prudential Indicators and Limits, contained within Appendix A.
- 4.3 The Authorised Limit Treasury Prudential Indicator contained within Appendix A.

*Reason for Recommendation(s)*

Not to approve these policies would contravene the requirements of both legislation and good practice. In addition, the Mazars External Auditors may pass comment in their Report to those charged with governance (ISA260).

**Background Papers**

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2011 Edition and the 2017 revised Edition  
CIPFA Prudential Code Local Government Act 2003  
CIPFA Standard of Professional Practice on Treasury Management

For further information please contact Andrew Snape on Ext 5523.

Sanjiv Kohli  
Director – Resources and S151 Officer

## **AUDIT AND ACCOUNTS COMMITTEE**

**6 FEBRUARY 2019**

### **CAPITAL STRATEGY 2019/20**

#### **1.0 Purpose of Report**

1.1 To seek Committee approval to the Capital Strategy 2019/20, this incorporates the Minimum Revenue Provision Policy and Capital Prudential Indicators, updated in accordance with latest guidance.

#### **2.0 Background Information**

2.1 The Capital Strategy outlines the principles and framework that shape the Council's capital decisions. The principal aim is to deliver a programme of capital investment that contributes to the achievement of the Council's priorities and objectives as set out in the Corporate Plan.

2.2 The Strategy defines at the highest level how the capital programme is to be formulated; it identifies the issues and options that influence capital spending, and sets out how the resources and capital programme will be managed.

2.3 Statutory Requirements:

- It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level that is affordable for the foreseeable future, after taking into account the following issues:
  - Increases in interest payments caused by increased borrowing to finance additional capital expenditure.
  - Any increases in running costs from new capital projects.
- The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Capital Prudential Indicators each financial year to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

2.4 CIPFA Requirements:

- The Prudential Indicators set out the expected capital activities during the financial year (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities).
- Delegation by the Council of the role of scrutiny of Capital Strategy and Policies to a specific named body. For this Council the delegated body is the Audit and Accounts Committee.

2.5 The report also seeks approval for the Council’s Minimum Revenue Provision (MRP) Policy (Appendix C), which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007).

### **3.0 Proposals**

3.1 A copy of the Capital Strategy is attached as an Appendix to this report.

### **4.0 RECOMMENDATION(S)**

That Committee approves each of the following key elements and recommends these to Council for the meeting on 7th March 2019:

4.1 The Capital Strategy 2019/20 Appendix A.

4.2 The Capital Prudential Indicators and Limits for 2019/20, contained within Appendix A.

4.3 The Minimum Revenue Provision (MRP) Policy Statement as contained within Appendix C, which sets out the Council’s policy on MRP.

4.4 The Flexible Use of Capital Receipts Strategy, contained with Appendix D.

#### *Reason for Recommendation(s)*

Not to approve these policies would contravene the requirements of both legislation and good practice. In addition, the Mazars External Auditors may pass comment in their Report to those charged with governance (ISA260).

#### **Background Papers**

CIPFA Prudential Code Local Government Act 2003  
CIPFA Treasury Management Code of Practice

For further information please contact Andrew Snape on Ext 5523.

Sanjiv Kohli  
Deputy Chief Executive/Director – Resources and S151 Officer

## **AUDIT AND ACCOUNTS COMMITTEE**

**6 FEBRUARY 2019**

### **INVESTMENT STRATEGY**

#### **1.0 Purpose of Report**

1.1 This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by MHCLG Investment Guidance in January 2018.

#### **2.0 Background Information**

2.1 The definition of an investment covers all of the financial assets of the Council as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

A loan is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.

2.2 Statutory Requirements:

- The MHCLG Investment Guidance is issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. Under that section local authorities are required to “have regard” to “such guidance as the Secretary of State may issue”.
- For each financial year, a local authority should prepare at least one Investment Strategy (“the Strategy”). The Strategy should contain the disclosures and reporting requirements specified in this guidance. The Strategy should be approved by the full council.

#### **3.0 Proposals**

3.1 A copy of the Investment Strategy 2019/20 is attached as an Appendix to this report.

#### **4.0 RECOMMENDATION(S)**

That Committee approves each of the following key elements and recommends these to Full Council on 7th March 2019:

4.1 The Investment Strategy 2019/20, contained within Appendix A.

4.2 The Investment Prudential Indicators and Limits, contained within Appendix A.

*Reason for Recommendation(s)*

Not to approve these policies would contravene the requirements of both legislation and good practice. In addition, the Mazars External Auditors may pass comment in their Report to those charged with governance (ISA260).

**Background Papers**

MHCLG Investment Guidance 3<sup>rd</sup> Edition

For further information please contact Andrew Snape on Ext 5523.

Sanjiv Kohli

Director – Resources and S151 Officer

## **AUDIT AND ACCOUNTS COMMITTEE**

**6 FEBRUARY 2019**

### **CAPITAL PROGRAMME CARRY FORWARDS REVIEW**

#### **1.0 Purpose of Report**

1.1 Previous meetings there was a request to review the capital carry forwards due to the size of the required amounts

#### **2.0 Background Information**

2.1 Below is a summarised breakdown of the carry forwards as part of the financial outturn report 2017/18 that was approved by Policy and Finance Committee on 28 June 2018. A full breakdown of scheme by scheme is on Appendix A.

	<b>Approved Carry Forward Amount</b>	<b>Revised Budget 2017/18</b>	<b>Carry Forward as percentage of budget</b>
General Fund	4.180m	14.041m	29.78%
Housing Revenue Account	2.149m	17.682m	12.15%
<b>Total</b>	<b>6.329m</b>	<b>31.723m</b>	

2.2 For comparative assessment below is the percentage of carry forwards based on the final revised budgets for each of the last three financial years.

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
General Fund	24.70%	37.53%	27.23%
HRA	3.00%	19.69%	5.15%

#### **4.0 RECOMMENDATION(S)**

**That committee members note all the information on the capital carry forwards.**

#### **Background Papers**

Nil

For further information please contact Andrew Snape on Ext 5523.

Nick Wilson  
Business Manager - Financial Services and Deputy S151 Officer

	Capital Scheme	Amount	Comment re requirement for carry forward
		£	
<b>AFFORDABLE HOUSING</b>			
SA1013	25 supported dwellings - Bilsthorpe	42,301	Awaiting final invoices from NSH re additional charges to scheme.
SA1016	Site A - Wolfit Avenue, Balderton	26,183	Awaiting final invoices from NSH re additional charges to scheme.
SA1017	Site B - Wolfit Avenue, Balderton	24,930	Awaiting final invoices from NSH re additional charges to scheme.
SA1018	Coronation Street/Grove View Rd, Balderton	46,118	Awaiting final invoices from NSH re additional charges to scheme.
SA1019	Lilac Close	52,479	Awaiting final invoices from NSH re additional charges to scheme.
SA1020	Second Avenue, Edwinstowe	46,553	Awaiting final invoices from NSH re additional charges to scheme.
SA1023	Bowbridge Road	930,592	Contract retention and car parking works.
SA1030	HRA Site Development	12,966	Phasing estimates from NSH
SA1031	Site Acquisition (Incl RTB)	800,000	No site acquisitions planned need to consider an acquisition strategy
SA1033	Estate Regeneration	123,871	Phasing estimates from NSH
SA1041	Phase 1 Cluster 1, Newark	288,172	Phasing estimates from NSH
SA1042	Phase 1 Cluster 2, Farndon HCA	(52,833)	Budget to be carried back - phasing estimates from NSH
SA1043	Phase 1 Cluster 2, Farndon 1-4-1	(2,527)	Budget to be carried back - phasing estimates from NSH
SA1044	Phase 1 Cluster 3, West	7,540	Phasing estimates from NSH
SA1045	Phase 1 Cluster 4, Collingham	(19,210)	Budget to be carried back - phasing estimates from NSH
SA1046	Phase 1 Cluster 5, Balderton	(156,298)	Budget to be carried back - phasing estimates from NSH
SA1047	Phase 1A	(21,846)	Budget to be carried back - phasing estimates from NSH
	<b>SUB TOTAL AFFORDABLE HOUSING</b>	<b>2,148,992</b>	
<b>GENERAL FUND</b>			
TA1215	Extension to Newark Leisure Centre Car Park	205,500	Added to the capital programme at the time of the report to approve the scheme, but wasn't planned to start until 2018/19.
TA1216	Leisure Provision in the West	250,000	Added to the capital programme, subsequently the report was removed from the committee agenda and then scope changed. Removed from the capital programme in 2018/19.
TA3053	Museum Improvements	461,764	Previous Business Manager left and new Business Manager had to pick up this scheme - scope changed slightly but outcome will be the same. Due to go to tender in 2018/19.
<b>TA</b>	<b>CUSTOMERS</b>	<b>917,264</b>	
TB2253	Vehicles & Plant (NSDC)	22,600	Delay in vehicle purchase and delivery.
TB3154	Castle Gatehouse Project	67,646	Budget added to the capital programme following scheme approval but phasing of spend not known at that time.
TB3158	Hawtonville School Playing Field	23,123	Budget added to the capital programme following scheme approval but phasing of spend not known at that time.

TB6145	Grant to Farndon Sports Pavilion	14,631	Grant to be transferred to Farndon Parish Council to be used on appropriate community infrastructure in 2018/19.
TB6147	Contribution to Cycle Route Improvements	6,909	Main Vicar Water scheme is completed, the residual monies will be used to finalise the scheme.
TB6148	Lorry Carpark Extension	48,446	Budget added to the capital programme following scheme approval but phasing of spend not known at that time. The start of the scheme was delayed due to the need to undertake additional surveys to comply with planning. The surveys could only be carried out at specified times of the year.
TB6153	Cricket Facilities Kelham Rd - S106	49,700	Budget added to the capital programme following scheme approval but phasing of spend not known at that time.
<b>TB</b>	<b>COMMUNITY</b>	<b>233,055</b>	
TC1000	New Council Offices	145,317	Retention amount of build contract.
TC2000	Land at Lowfield Lane, Balderton	632,128	Final land purchase due in 2018/19.
TC3017	Workshop Frontage Improvements	5,618	Retention amount of contract.
TC3131	Extension to London Road Car Park	115,000	Added to the capital programme at the time of the report to approve the scheme, but wasn't planned to start until 2018/19
TC3133	BIC Internal Reconfiguration	33,304	Scheme carried out in two phases. Second phase due to start in 2018/19.
<b>TC</b>	<b>RESOURCES</b>	<b>931,367</b>	
TE3268	Southern Link Road Contribution	1,649,121	Full review required of milestones and therefore financial outlay of the project.
<b>TE</b>	<b>GROWTH</b>	<b>1,649,121</b>	
TF3220	Major Flood Alleviation	140,000	Budget added to the capital programme following scheme approval but phasing of spend not known at that time.
TF3221	Southwell Flood Mitigation	220,000	Budget added to the capital programme following scheme approval but the payment was not due to be made until 2018/19.
TF3224	Seven Hills	10,211	Delay in agreeing on the final version before order.
TF3225	Maps & Signage Newark Town Centre	19,132	Delay in agreeing on the final version before order.
TF6012	Discretionary DFG	59,700	Ongoing commitments to adaptations referred by NCC. This funding comes from the Better Care Fund and all carry forwards are reported to the Programme Board for information.
<b>TF</b>	<b>SAFETY</b>	<b>449,044</b>	
	<b>TOTAL GENERAL FUND</b>	<b>4,179,851</b>	
	<b>TOTAL PROGRAMME</b>	<b>6,328,842</b>	



## AUDIT AND ACCOUNTS COMMITTEE

6<sup>th</sup> FEBRUARY 2019

### INTERNAL AUDIT PROGRESS REPORT

#### **1.0 Purpose of Report**

To receive and comment upon the latest Internal Audit Progress Report which covers the period up to 31 December 2018.

#### **2.0 Introduction**

The purpose of the internal audit progress report (Annex A) is to provide a summary of Internal Audit work undertaken during 2018/19 against the agreed audit plan.

#### **3.0 RECOMMENDATION**

**That the Audit and Accounts Committee consider and comment upon the latest internal audit progress report.**

#### Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson  
Business Manager Financial Services

# Internal Audit Progress Report



## Newark and Sherwood District Council – January 2019

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## Internal Audit work completed

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Overview of Assurances  
Audit Reports at Draft  
Other Significant Work  
Work in Progress

## Appendices

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Assurance Definitions  
Details of Overdue Actions  
2018/19 Audit Plan to Date

**Lucy Pledge** - Audit and Risk Manager (Head of Internal Audit)  
[lucy.pledge@lincolnshire.gov.uk](mailto:lucy.pledge@lincolnshire.gov.uk)

**John Sketchley** – Audit Team Leader  
[John.sketchley@lincolnshire.gov.uk](mailto:John.sketchley@lincolnshire.gov.uk)

**Amanda Hunt** - Principal  
[Amanda.hunt@newark-sherwooddc.gov.uk](mailto:Amanda.hunt@newark-sherwooddc.gov.uk)

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This report has been prepared solely for the use of Members and Management of Newark and Sherwood District Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

# Introduction

The purpose of this report is to:

Provide details of the audit work during the period April 2018 to October 2018  
Advise on progress with the 2018/19 plan  
Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

During the period we have completed 2 assurance audits, Creditors and Assurance\*.

We have also completed the review of the Gilstrap Accounts and the Newark Cattlemarket rent calculation.

There no high risk recommendations outstanding. Overall there are 36 recommendations remaining to be implemented of which 14 are overdue. 7 of these have not been progressed at all. Further details are included in Appendix 2.

There have been a number of issues which have affected the promptness of completing audits throughout the year with staff availability, promptness of providing information and clearing reports through the Senior Leadership Team (SLT). Resources have been allocated to all of the remaining audits within the plan.

We entered the Chartered Institute of Internal Auditors Audit and Risk Awards 2018. These awards recognise innovation and excellence in Internal Audit. Assurance Lincolnshire were finalists in two categories - we received **Highly Commended** awards both for:-

**Innovation in training and development** - for our work with Universities and Apprenticeships

**Outstanding Team Public Sector** - for our work on Governance - Culture and Ethics

Receiving these awards show how we continue to demonstrate exemplary performance and demonstrated talent, inspiration, innovation in the services we provide.

0  
HIGH  
ASSURANCE

2  
SUBSTANTIAL  
ASSURANCE

0  
LIMITED  
ASSURANCE

0  
LOW  
ASSURANCE

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\*Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1. Page 1

# Substantial Assurance

## Creditors

The arrangements and the processes in place for managing creditors within the Council are operating effectively. Creditors' payments made are accurate, authorised and recorded in the E-Financials system. Reconciliation is undertaken regularly to ensure that the creditors system is properly maintained.

This is supported through a number of areas of good practice including:-

- Review of authorisation of the purchase orders with clearly defined limits for officers within the Council
- All supplier invoice payments are made via corporate Financial Services
- Review and approval of the BACS payment files
- The use of cheque payments to creditors is minimised and the cheque stationery is stored securely
- Following the last incident of creditor's payment fraud, control measures have been put in place covering procedures for changing the supplier details and bank accounts

Areas where some improvements are necessary include:-

- Raising purchase orders in advance of the purchase to minimise the number of non-order transactions
- Minimising the use of open orders
- Formalising the process for the authorisation of purchase orders where staff members from NSH.

The current operational assurance processes are well managed and the assurance arrangements enable Business Managers to be accountable to the SLT.

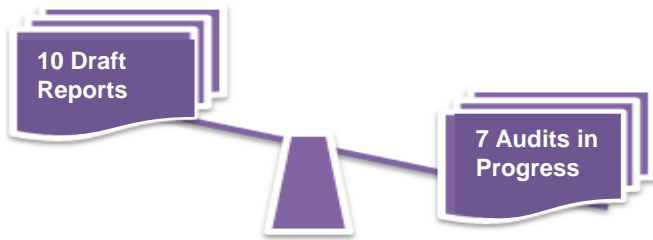
This is supported through a number of areas of good practice including:-

- A well-resourced assurance team with staff responsibilities clearly defined and documented.
- Effective reporting arrangements to SLT of the outcomes of the assurance work highlighting matters of concern requiring action.
- Ongoing Regular dialogue between the Assurance team and the Business units.
- Continual exploration of ways to develop and improve the arrangements for providing the assurance framework.

Areas where some improvements are necessary include:-

- Ensuring the purpose and scope of the Council's assurance activity is regularly reviewed in order to ensure it is fully aligned to the Council's strategic priorities and continue to be effective.
- Ensuring the assurance requirements of the Council's Wholly Owned companies are clarified and monitored particularly in respect of Legionella.

## Assurance



## Audits reports at draft

We have 10 audit's at draft report stage:

- Economic Development - SLT
- CCTV - SLT
- ICT Cyber Security – SLT
- Environmental Protection - SLT
- Domestic Refuse
- Street Cleansing
- HRA
- IT Governance
- Payroll
- Brexit Preparation

These will be reported to the committee in detail once finalised.

## Work in Progress

We also have 7 audits in progress :

- NSDC Companies
- Development Company
- Key Control Testing
- Commercialisation
- Project/Programme Management
- Emergency Planning
- Business Continuity

Details of these can be seen in the 2018/19 plan at appendix 3.

Audits planned for quarter 3 include:

- IT Infrastructure
- Counter Fraud
- Follow-ups

## Other Work Completed

We have completed the Newark Cattlemarket rent calculation for 2017/18 and the review of the Gilstrap accounts.

The combined assurance work is also nearing completion with the report expected to be submitted to the next Audit and Accounts Committee meeting.





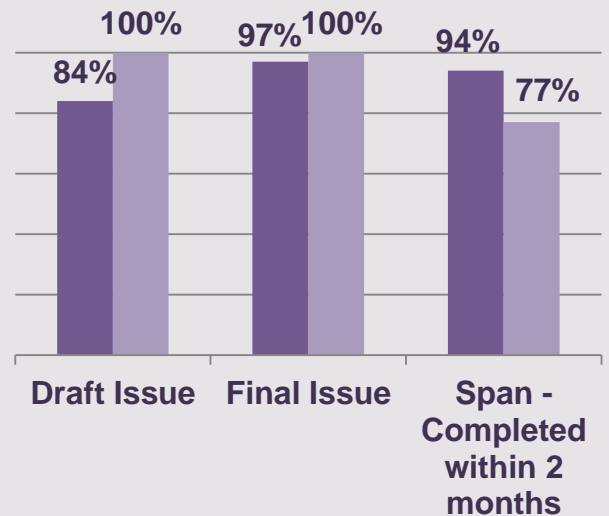
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

## Performance on Key Indicators

# 100%

Rated our service Good to Excellent

# High Achievement of Key PI's to date



■ 2017/18 ■ 2018/19  
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**High**

Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

**Substantial**

Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.

**Limited**

Our critical review or assessment on the activity gives us a  
The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.

**Low**

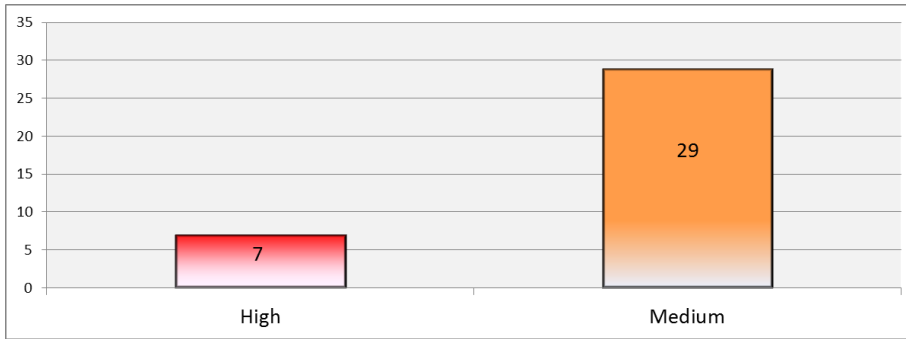
Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

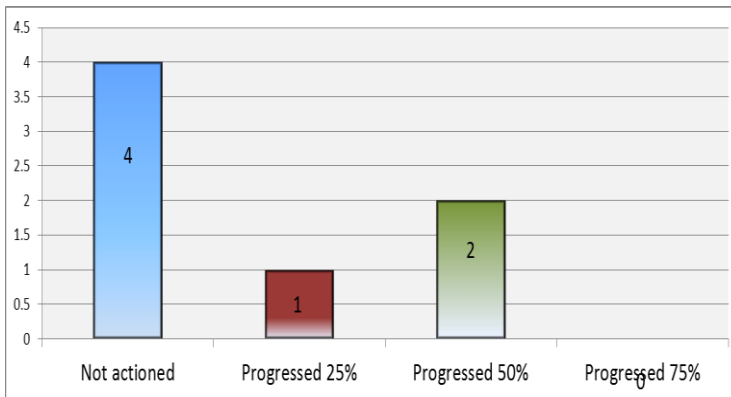


## Outstanding Audit Actions for all audits at 31 December 2018

### All Actions remaining to be implemented

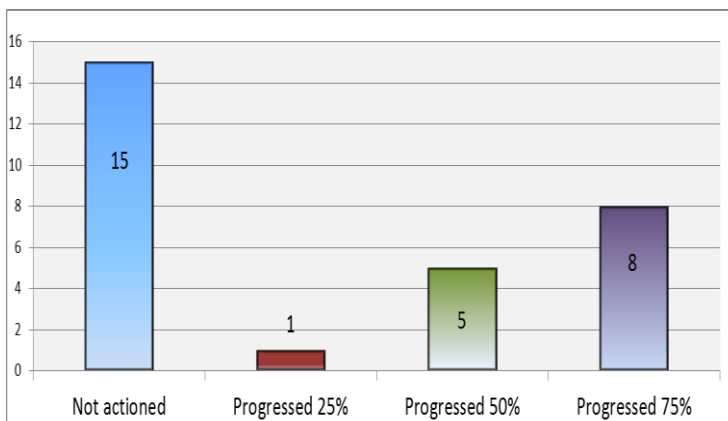


### High Priority Actions remaining to be implemented

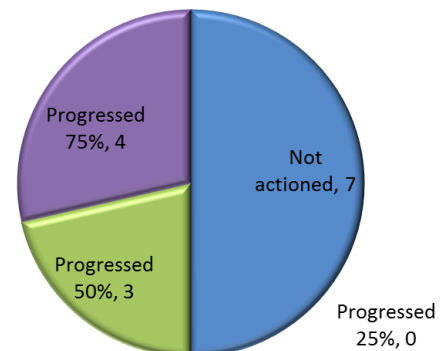


### Medium Priority Actions remaining to be implemented

#### Overall



#### Overdue



Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium Accounts	Apr-18	Apr-18	May-18	Completed
HRA Self Financing Business Plan	There is a business plan in place which is up-to-date, based on sound assumptions and reported.	May-18	May-18		Draft report
S106 Funding	There are effective processes in place for the receipt and spending of S106 monies.	May-18	May-18	Aug-18	Substantial
Emergency Planning	Arrangements are in place which enable the Council to effectively manage an emergency planning situation.	Jun-18			Fieldwork
Economic Development	The Council has an economic development strategy in place which sets out it's objectives and actions. The projects/schemes/processes used to achieve the objectives are robust and authorised.	Jun-18	Jun-18		Draft Report with SLT
Cyber Security	The Council has arrangements in place to safeguard it from a cyber security attack. If it does suffer an attack there are effective processes to contain it and reduce it's affect on the Council's business.	Jun-18	Jun-18		Draft Report with SLT
Newark Cattlemarket	Completion of the rent calculation for 2017/18	Jun-18	Jul-18	Nov-18	Completed
Creditors	There are effective processes and procedures in place which ensure that payments are made to the correct suppliers in a timely manner and in accordance with the Council's Financial Procedure Rules.	Jul-18	Aug-18	Dec-18	Substantial
Development Company	There is an action plan in place for the establishment of the Company and governance arrangements which follow best practice. The establishment of the Company is authorised.	Jul-18	Jul-18		Fieldwork
Assurance	The responsibilities of the assurance function are clearly defined and embedded enabling the provision of accurate and up-to-date reporting of compliance and monitoring of corrective measures.	Aug-18	Aug-18	Oct-18	Substantial
Brexit Preparation and understanding the risks and opportunities	The Council is aware of the potential implications of Brexit and keeps abreast of these as the process progresses. These implications are identified within any strategic planning for the Council and it's wholly owned companies.	Aug-18	Sep-18		Draft report
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	Aug-18	Sep-18	Oct-18	Completed
NSDC Companies	Review of the Governance and processes in place for the Council's wholly owned companies.	Sep-18	Sep-18		TOR
Review of IR35	There are processes in place which ensure that the Council identifies all those affected by IR35 and payments are made in the correct manner.	Sep-18	Aug-18	Oct-18	Substantial
Environmental Protection	Licenses are issued where statutorily required with income being collected and accounted for. Inspections are carried out and documented in accordance with legislation.	Sep-18	Oct-18		Draft Report with SLT
IT Infrastructure	Review of various aspects of the Council's IT infrastructure which may include security of IT assets; network security; physical security; firewall security; remote access portals / virtual private networks; operating system reviews; web security; internet and email security; anti-virus and malware; penetration testing; public services network; and incident management.	Oct-18			

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Payroll	The processes and procedures in place ensure that only authorised payments are made to staff and members in a timely manner.	Oct-18	Nov-18		Draft report with auditee
Commercialisation	There is a clear strategy and action plan in place covering the Council's commercial aspirations and this conforms with the relevant legislation.	Oct-18	Jan-19		TOR
Key Control Testing	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.	Nov-18	Dec-18		Fieldwork
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	Nov-18	Nov-18		Draft report with management
Street Cleansing	An efficient and effective service is in place which ensures that streets are maintained at the level of cleanliness expected.	Dec-18	Dec-18		Draft report with auditee
Counter Fraud	Strategies and policies are in place for the prevention and detection of fraud.	Dec-18			
Domestic Refuse	The service provided is efficient and effective with any income due to the Council being collected and accounted for. Action is taken to resolve customer complaints which are monitored and used to improve performance.	Jan-19	Dec-18		Draft report with auditee
Strategic Asset Management	There is an up-to-date Strategic Asset Management plan in place and reported. All Council assets are recorded and maintained by the Council or in accordance with any agreement.	Jan-19			
Project/Programme Management	There are effective arrangements in place which ensure that all projects are recorded, allocated responsible officers/teams and overseen allowing an overarching view of capacity and identifying any benefits or efficiencies.	Jan-19	Jan-19		TOR
Workforce changes and succession planning within the Council including changes within the management team	The Council has a workforce plan in place which meets the changing needs of the Council and the demographic and skills of staff. There is also a plan in place for succession planning of key staff identifying positions which hold the greatest risk if vacant i.e. specialist knowledge, statutory responsibility, lone workers etc.	Jan-19	N/A	N/A	Cancelled - postponed to 2019/20
Business Continuity	Follow-up review to assess the progress being made on the implementation of the recommendations made and ownership has been assigned.	Feb-19	Jan-19		TOR
IT Governance	The Governance arrangements of the IT service ensure that there are processes in place and roles and responsibilities are clearly identified.	Feb-19	Jun-18		Draft report with auditee
Running of elections and Referendums	There are arrangements and policies in place which ensure that the Council effectively manages the election and referendum processes and payments in accordance with the electoral commission guidelines.	N/A	N/A	N/A	Cancelled
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	Mar-19			1 completed
Procurement Card	To ensure effective arrangements are in place for the administration and monitoring of procurement cards and related expenditure.	N/A			

## **AUDIT AND ACCOUNTS COMMITTEE**

**6 FEBRUARY 2019**

### **EXTERNAL AUDITORS' CERTIFICATION OF CLAIMS AND RETURNS 2017/18**

#### **1.0 Purpose of Report**

1.1 To present the external auditor's report regarding certification of grant claims and returns made in 2017/18.

#### **2.0 Introduction**

2.1 Each year an audit of the Council's grant claims and returns is carried out by the Council's external auditors, KPMG. The letter for 2017/18 attached at Appendix A covers one grant claim totalling £24.95m.

#### **3.0 Certification of Claims & Returns**

3.1 An un-qualified opinion was given for the audit of the Housing Benefit Subsidy grant.

3.2 No adjustment was necessary to the Council's grant claim as a result of the certification work for 2017/18.

#### **4.0 Fees**

4.1 The total fee for the grants and returns certification work was £5,525, a decrease of £2,497 compared to the 2016/17 fee. This was in-line with that of the indicative fee set by Public Sector Audit Appointments.

#### **5.0 RECOMMENDATION that**

**Members consider and comment on the external auditors report on the certification of grant claims and returns for 2017/18.**

#### **Background Papers**

Nil

For further information please contact Richard Walton on 0115 945 4471.

Nick Wilson  
Business Manager -Financial Services



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Sanjiv Kohli CPFA, ACA  
Deputy Chief Executive/Director of  
Resources  
Newark and Sherwood District Council  
Castle House,  
Great North Road,  
Newark,  
NG24 1BY

Our ref NSDC AD/KS

Contact Andrew Cardoza  
0121 232 3869

28 January 2018

Dear Sanjiv

### **Newark and Sherwood District Council - Certification of claims and returns - annual report 2017/18**

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2017/18.

In 2017/18 we carried out certification work on only one claim/return, the Housing Benefit Subsidy claim. The certified value of the claim was £24,975,376, and we completed our work and certified the claim on 26 November 2018.

#### **Matters arising**

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Our work did not identify any issues or errors and we certified the claim unqualified without amendment.

Consequently we have made no recommendations to the Council to improve its claims completion process. There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

### **Certification work fees**

Public Sector Audit Appointments set an indicative fee for our certification work in 2017/18 of £5,525. Our actual fee was the same as the indicative fee, and this compares to the 2016/17 fee for this claim of £8,022.

Yours sincerely



Andrew Cardoza  
Director  
KPMG LLP

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointments's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Cardoza, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

## **AUDIT & ACCOUNTS COMMITTEE**

**6 FEBRUARY 2018**

### **REVIEW OF SIGNIFICANT GOVERNANCE ISSUES IN THE ANNUAL GOVERNANCE STATEMENT**

#### **1.0 Purpose of Report**

- 1.1 To update members of the Audit & Accounts Committee on the significant governance issues identified in the Annual Governance Statement.

#### **2.0 Background Information**

- 2.1 At the meeting of the Audit & Accounts Committee on 25 July 2018, Members approved the Annual Governance Statement for the Council, with forms part of the Council's Statement of Accounts. To ensure that Members are able to undertake their assurance role, this report updates the Committee on the status of the significant governance issues identified within it.
- 2.2 An extract from the Annual Governance Statement showing the issues identified is attached at Appendix A.

#### **3.0 Results of the Review**

- 3.1 The issues identified are considered separately below with details of any further work undertaken.
- 3.2 Organisational Change – The updated MTFP will be presented to Policy and Finance Committee on 21<sup>st</sup> February 2019 which looks at the 4 year period from 2019/20 to 2022/23. This MTFP removes all elements of central government funding through Revenue Support Grant.

Through the Management Restructure a Commercialisation and Major Projects Business Unit has been created to maximise commercialisation potential, attracts new income streams into the Council, maximises current income streams and makes more efficient use of existing resources. A financial tracking process is in place to ensure that forecast income is matched to actual income as implementation reaps the rewards of the project over a number of years.

- 3.4 Community and Activity Village – Phase 1 of the YMCA Community and Activity Village was successfully completed in November 2018. The YMCA is currently on track to commence the Phase 2 works in autumn 2019 with the construction of the main village building and its immediate surrounds. The Council's Policy and Finance Committee agreed in January 2018 to 'pass-port' S106 monies held by the Authority to the YMCA, to be paid in 2 instalments – on completion of ground works in relation to the changing facilities and on practical completion of the hub building.

The District Council is also in the process of marketing an area of Land at Elm Avenue for sale for residential purposes (originally transferred to it by NCC for a nominal £1 consideration) on the basis that the District Council will be entitled to deduct its costs in securing the necessary planning consent and in marketing the site and any proceeds of sale



after those deductions will be shared on a 50:50 basis between the District and County Councils but with an obligation that any net profit accruing to the District Council will be applied towards enhancing the sports facilities at YMCA Community and Activity Village and in particular being applied towards the provision of a stadium pitch. No further commitment of funding has been made by the District Council to assist the YMCA, other than the S106 funding and 50% of the net proceeds from the sale of the land at Elm Ave.

3.5 Development Company – The Company, Arkwood Developments Ltd was incorporated on 25 May 2018. There have been several board meetings since this date and Council Shareholder Committee meetings to oversee the activity of the Company. The Company is currently working on its Business Plan and a Business case for its first development site on land at Bowbridge Road. Once prepared these will be submitted to the Council, via the Shareholder Committee for scrutiny and approval. If approved, recommendations will be made to Policy and Finance Committee to consider the release of equity and loans to the Company. There are robust governance arrangements in place to oversee and monitor the Company's activities.

3.6 Estate Regeneration Programme – A report was issued to Policy & Finance, which provided background to the regeneration proposals and activities undertaken over the last year to draw up an outline planning application. The Committee gave approval to submit the outline planning application, which was submitted early December and the current intention is that this will be considered by Planning Committee at its meeting in March 2019.

The work of Campbell Tickell has now been extended until the end of March 2019, to support the Council in drawing up a refresh project plan and risk matrix to take the proposal forward to its delivery stage. Work continues with Homes England over securing gap funding, along with securing developer interest.

3.7 Business Continuity Arrangements - Business Managers and their deputies have received training on the risks, existing plans, and their responsibilities to review and refresh departmental business continuity plans. During the workshops they considered a number of scenarios to further develop their understanding and problem solving. Business Managers will be invited to a further workshop to focus upon the IT, Building Assets and Communication sections of their departmental plans. A table top exercise will be held during February 2019 focusing upon the organisational response to a potential loss of power at Castle House.

3.8 Compliance with Financial Regulations re authorisation of goods, works and services – The S151 Officer sent an email during April 2018 to all Senior Managers, Business Managers and Budget holders reminding them of the procedure for raising orders for goods, works and services.

A subsequent review during January 2019 has seen that the percentage has increased to 58.79%. A further communication will be sent round to all officers responsible for authorising orders to remind them of their responsibilities. Should this prove ineffective

then a report will be brought to this Committee to inform members of those officers who do not comply with these regulations.

3.9 Counter-Fraud Arrangements – Assurance Lincolnshire were appointed in 2016 to assist the Council with proactive Counter-Fraud arrangements and have undertaken a refresh of the Fraud Risk Register in February 2018. This work has again been completed during January 2019 which will be reported to this Committee in April. The session had a more pro-active agenda to look for practical ways to continue to detect suspected fraud.

#### **4.0 RECOMMENDATION**

That the Committee notes the results of the review of significant governance issues as identified in the Annual Governance Statement.

#### **Background Papers**

Annual Governance Statement for 2017/18

For further information please contact Nick Wilson, Business Manager– Financial Services on Ext: 5317

**Nick Wilson**  
**Business Manager – Financial Services**

# NEWARK AND SHERWOOD DISTRICT COUNCIL

## ANNUAL GOVERNANCE STATEMENT

### **1 Scope of responsibility**

Newark and Sherwood District Council is responsible for ensuring that the Authority's own and, with the addition of Newark and Sherwood Homes and Active4Today Ltd, its Group business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Newark and Sherwood District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Newark and Sherwood District Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

### **2 The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Newark and Sherwood District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Newark and Sherwood District Council for the year ended 31 March 2018. Since May 2013 the Council has operated governance arrangements through the use of a Committee system. The Financial Regulations within the Council's Constitution were due for review throughout this financial year and were duly updated; being approved at Council on 13<sup>th</sup> February 2018.

### **3 The governance framework**

The key elements of the District Council's governance framework are as follows:

The District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is subject to periodic change either through national legislation or local decision and the Governance Framework may be amended accordingly. Within the Constitution, the Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, which was revised in 2016. The Council's Code of Corporate Governance

was also reviewed during 2016 to ensure it complied with the requirements of the revised Framework.

The Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of *Regulation 6(1)(a) of the Accounts and Audit Regulations 2015* which require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (*England*).

The Council's strategic priorities are: Prosperity; People; Place; and Public Service. A process to review and refresh these priorities started after the election in May 2015 and these were agreed by full Council in July 2016. The delivery of these priorities is being conducted in accordance with the Governance framework.

During 2017/18 the Council facilitated policy and decision-making through a Committee system. Meetings are open to the public except where exempt or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority.

The District Council has a cross-departmental Risk Management Group that meets regularly to identify and evaluate all significant risks. Strategic, Corporate and Operational Risk Registers are in place and appropriate staff have been trained in the assessment, management and monitoring of risks. In addition to this a Fraud Risk Register is in place and a full refresh took place during 2017/18 facilitated by the Council's Internal Audit contractors Assurance Lincolnshire.

Through reviews by external auditors, external agencies, internal auditors, and its performance team the District Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance Appraisal Scheme.

At the end of February 2018, the Council's Chief Executive left the authority and the Deputy Chief Executive was appointed interim Chief Executive, pending the appointment of a new Chief Executive. Since the interim Chief Executive could not also be the Council's Monitoring Officer, the Director - Safety, who is legally qualified, was appointed to the role of Monitoring Officer for this interim period. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. The standards of behaviour for members and employees are defined through Codes of Conduct and the Code of Corporate Governance. The Council also has an Anti-Fraud and Corruption Strategy and a Whistleblowing Policy that enables concerns to be raised confidentially by employees or persons doing business with the Council. Both of these documents were refreshed during the year. A complaints system is also operated by the Council to enable comments on services to be received and investigated.

The Director of Resources post was recruited to and the appointment was made, commencing 7<sup>th</sup> August 2017. Up to this point the Business Manager - Financial

Services was acting in an interim capacity as the Council's s151 Officer. The Director of Resources post has the s151 Officer responsibilities attached to it. The s151 Officer is responsible for the proper administration of the Council's financial affairs including maintenance of financial records, presentation of statutory accounts and budgets, provision of effective internal audit and financial advice to Council. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Council communicates with the community and its stakeholders by means of a periodic publication, "Voice", through its website and through social media and by specific consultation.

#### **4 Review of effectiveness**

Newark and Sherwood District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Business managers provide assurance to the s151 officer that service areas are compliant with the Council's governance arrangements.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution through a dedicated working party comprising, inter alia, all the group leaders, on a regular basis, and has formed a Councillors' Commission to consider any changes resulting from recent legislation and to consider changes to facilitate more effective governance of the Council.

During 2017/18 the overview & scrutiny function was undertaken through Committees with overview & scrutiny principles being embedded in the remits of the Policy and Finance Committee and the three functional committees as well as the Audit and Accounts Committee

Internal Audit is responsible for reviewing the quality and effectiveness of systems of internal control. An annual audit plan is approved by the s151 Officer together with the Corporate Management Team and reported to the Audit and Accounts Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Chief Officer and Business Manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The Audit and Accounts Committee receives executive summaries of all internal audit reports and is advised of progress in implementing recommendations. Internal Audit reports are considered by the Council's Corporate Management Team. The Head of Internal Audit issues an annual opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework. For the 2017/18 financial year, her opinion is that the Council is performing well across the areas of Governance, Risk, Internal Control and Financial Control. Some improvements were identified in the arrangements for the Governance and Internal Control areas. Five reports gave limited assurance (one during 2016/17) relating to:

- ICT starters, leavers and movers

- Estates Management
- Business Continuity
- PCIDSS Compliance
- Performance Management (Strategic Alignment aspect)

Recommendations are being implemented to address the issues raised.

An internal review conducted by the Deputy s151 Officer revealed that almost 40% of the Council's orders for goods and services in the 2017/18 financial year were raised retrospectively. This is being addressed by reminding budget managers of the process for the approval of orders and by including this in the financial training for business managers and budget holders that will take place in July 2018.

External audit review reports are produced by internal audit to inform their risk assessment. The internal audit function is carried out by Assurance Lincolnshire. During 2016, an independent external review of Assurance Lincolnshire was undertaken by CIPFA and no areas of non-compliance with the Public Sector Internal Audit Standards were identified.

Risk management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.

## Conclusion

The Council has assessed the governance arrangements in place throughout 2017/18 and whilst it is considered that the current arrangements provide a satisfactory level of assurance, work is continuously underway to ensure that the arrangements remain fit for purpose in an ever changing external environment.

## 5 Significant governance issues

Issue	Action	Responsible Officer
<p><b>Organisational Change</b></p> <p>In common with all local authorities, the Council will need to continue to make significant changes to its budget to meet changing financial circumstances as a result of the national economic position.</p>	<p>The Council has planned for the continual reduction of central government funding and has actions in place to address the removal of revenue support grant in 2020/21. The MTFP will be updated and presented to full Council for approval in June 2018.</p> <p>Following approval of the Commercialisation Strategy and Investment Plan, a Commercials Group has been established with Key Business Managers from the Council and led by the Deputy Chief Executive/Director of Resources. The Commercials Group has agreed a Programme of service reviews. These reviews are underway and individual options appraisals and outline</p>	<p>Sanjiv Kohli Deputy Chief Executive, s151 Officer</p>



	business cases are being prepared.	
<p><b>Community and Activity Village</b></p> <p>The Council has determined that the YMCA is the preferred partner to deliver the Community and Activity Village. The project currently has a funding gap.</p>	Officers are working with all stakeholders to ensure a funding package is in place and that the Sports Hub is delivered and meets the needs of the community.	Kirsty Cole Deputy Chief Executive
<p><b>Development Company</b></p> <p>The Council has approved the formation of a wholly owned development company. The Company's primary objective is to develop Market Housing for sale or rent. The Company may also bring forward commercial build.</p>	<p>A number of presentations were made during 2017 and early 2018 to cross-party elected members by the Deputy Chief Executive/ Director of Resources and the Chief Executive.</p> <p>A business case which supported the establishment of the Company was supported by Policy and Finance Committee and was unanimously approved by full Council.</p> <p>The Company has been formed and robust governance arrangements are in place.</p> <p>Progress will be monitored by the Shareholders' Committee which has delegated powers granted by full Council and by the Policy and Finance Committee.</p>	Karen White Director- Safety
<p><b>Estate Regeneration Programme</b></p> <p>The Council has been awarded capacity and enabling funding from CLG to consider the next steps in a project to redevelop the Yorke Drive estate and Lincoln Road Playing Fields</p>	An approved project timetable is now being delivered and the Council has commissioned Campbell Tickell to project manage this activity. Senior Member and CMT briefings have been held with approval to progress the project to deliver the objective of submitting outline planning application by the end of 2018.	Karen White Director - Safety
<p><b>Business Continuity Arrangements.</b></p> <p>The Council's Business Continuity Plan has been fully revised and was subsequently approved by Corporate Management Team on the 6<sup>th</sup> March 2018. The plan was subjected to</p>	The Plan will be subjected to testing in order that it remains relevant to the Council's working arrangements and that those with responsibilities within the plan are aware and fully trained.	Karen White Director - Safety

live testing during the bad weather during winter 2018. The Plan has also been shared with partners within Castle House.		
<p><b>Counter-fraud arrangements</b></p> <p>As the Council has no dedicated fraud investigators (due to the transfer to the DWP of that team during December 2015) the Council must look at its arrangements to combat fraud. The Council's Counter Fraud strategy has been amended and approved by Council during 2017/18.</p>	Consideration is being given to what proactive counter-fraud work could be carried out.	Sanjiv Kohli, Deputy Chief Executive, s151 Officer
<p><b>Compliance with Financial Regulations re. authorisation of goods, works and services.</b></p> <p>A review by the deputy s151 Officer found that 40% of all orders raised during 2017/18 were raised post the date of the invoice.</p>	<p>The s151 Officer has sent a reminder to all senior managers, business managers and budget holders reminding of the procedure for raising orders for goods, works and services.</p> <p>Training sessions will take place in May/June 2018</p>	Sanjiv Kohli, Deputy Chief Executive, s151 Officer

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for proper governance arrangements to be in place. We will undertake ongoing monitoring of the implementation of any improvements that were identified in our review of effectiveness and as part of our next annual review.

### Signed

Kirsty Cole  
Interim Chief Executive  
25<sup>th</sup> July 2018

David Lloyd  
Leader of the Council  
25<sup>th</sup> July 2018



**AUDIT AND ACCOUNTS COMMITTEE**  
**6 FEBRUARY 2019**

**ANNUAL INTERNAL AUDIT PLAN**

**REPORT PRESENTED BY: BUSINESS MANAGER FINANCIAL SERVICES**

**1.0 Purpose of Report**

1.1 The Internal Audit Plan (Appendix A) sets out the proposed work of Internal Audit for 2019/20.

**2.0 Introduction**

2.1 The Internal Audit plan has been developed to demonstrate how assurance can be given on:

- Financial Governance
- Governance and Risk
- Critical Activities
- Projects
- ICT

2.2 Assurance Lincolnshire have developed a combined assurance model for the Council which is a record of assurances against your critical activities and risks. It provides an overview of assurance provided across the whole Council – not just those from Internal Audit – making it possible to identify where assurances are present, their source, and where there are potential assurance ‘gaps’.

2.3 The internal audit plan has been developed with reference to our draft combined assurance model as well as previous audit work, audit risk assessment, discussions with senior management, strategic and emerging risks.

2.4 Appendix A sets out in detail Assurance Lincolnshire’s approach and what we intend to review in 2019/20. Any slight changes to the plan during the year will be agreed with the Business Manager Financial Services and subsequently notified to the Audit and Accounts Committee.

**3.0 RECOMMENDATION**

**The Audit and Accounts Committee approve the Internal Audit plan.**

**Background Papers**

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson  
Business Manager Financial Services

# Internal Audit

## 2019/20 Plan



## Newark and Sherwood District Council January 2019

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B – Areas not on the audit plan

C – Head of internal audit's opinion

D – Working protocols

E – Our quality assurance framework

### The contacts at Assurance Lincolnshire are:

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[amanda.hunt@newark-sherwooddc.gov.uk](mailto:amanda.hunt@newark-sherwooddc.gov.uk)

# The Planning Process

## Introduction

This report sets out the Internal Audit Plan as at 1<sup>st</sup> April 2019. The plan details the activities to be audited and the indicative scope for each audit. The draft plan gives you an opportunity to comment on the plan and the priorities that we have established.

The plan details the audits to be undertaken in a financial year, with the number of audits in the plan being limited to the internal audit resource purchased. The plan is amended throughout the year to reflect changing assurance needs.

In Appendices A to E we provide for you information details of:

- Auditable Activities
- How the draft plan achieves the requirements of the Audit and Accounts Committee and Head of Internal Audit
- Our Working Protocols and Performance
- Our Quality Assurance Framework

## Developing the plan

The internal audit plan has been developed from the Council's Assurance Map – which was updated in November 2018 with input from Management. **Figure 1** shows other key sources of information that has helped inform the plan.

We have prioritised our audit work taking account of the impact an activity will have on the Council if it fails. The criteria for determining priority are:

- **Significance** - how important is the activity to the Council in achieving its objectives, key plans and in managing its key risks. We look at both financial loss and strategic impact.
- **Sensitivity** - how much interest would there be if things went wrong and what would be the reputational and political impact.

- **Level of Assurance** – we assess the current level of assurance evaluating reliability and contribution to the Head of Internal Audit annual opinion on governance, risk and control.
- **Time**– when it will happen (this will determine when is the best time to do the Audit).



Figure 1 – Key sources of information

## Updating the Plan

Through the year we will liaise with the Council and collect business intelligence that identifies emerging audits which could be included in the plan according to priority.

The primary source of business intelligence will be the regular liaison meetings between our team and the nominated liaison contact, other sources of intelligence will include:-

- Committee reports
- Pentana Performance and Risk
- Key stakeholders

# Delivery and Focus

## Delivering the Plan

The audit plan has been developed to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. The plan is therefore a statement of intent – our liaison meetings with senior management will enable us to firm up audit activity during the year.

The aim is to deliver the audits included in the plan in accordance with the schedule which will be devised once the plan is agreed. The schedule will be drawn up following liaison with the various auditees and Directors. Resources will then be allocated accordingly to the audits at the specified times. It is therefore important that any changes required to the audits or the schedule are notified to Internal Audit as soon as possible to avoid abortive time being spent on audits and for us to reallocate resources.

The Council's Internal Audit Plan is **285 Days**. The core team who will be delivering your Internal Audit plan are:

Head of Internal Audit

Lucy Pledge

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Principal

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## Audit Focus for 2019/20

In the following table we provide information on key audit areas and the rationale for their inclusion in the audit strategy and plan. Appendix A outlines the various audits to be undertaken within each area. Appendix B contains those areas which we have not been able to include in the plan but management may wish to consider whether they should be included.

Area	Reason for inclusion
<b>Financial Governance</b>	Providing assurance that key financial controls are in place and operating effectively during the year across all areas of the Council. This work provides the Section 151 Officer with a key element of his assurance that the Council has effective arrangements for the proper administration of its financial affairs.
<b>Governance &amp; Risk</b>	Providing assurance that key governance controls are in place and are operating effectively. These cross cutting audits focus on the Council's second line of assurance - corporate rather than service level systems.
<b>Critical Activities</b>	The combined assurance work undertaken in 2018/19 identified some critical activities where a potential audit would provide independent assurance over the effectiveness of risk management, control and governance processes.
<b>Project Assurance</b>	There are a number of critical projects identified by the Council. We will seek to provide assurance around their successful delivery (on-time – within budget – deliverables achieved and benefits realised).

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**ICT**

Technology and associated threats and opportunities continue to evolve at a pace. The effectiveness of ICT has a great impact on how well the Council works. We will seek to provide assurance that key controls comply with industry best practice and are operating effectively. Audits planned come from previous year assessments and our awareness of current ICT risks.

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**Follow Up**

We will carry out a follow up audits throughout the year to provide assurance that a sample of identified control improvements have been effectively implemented and the risks mitigated.

Working with management we also track the implementation of agreed management actions for all audit reports issued.

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**Combined Assurance**

Working with management we co-ordinate the levels of assurance across the Council's critical activities, key risks, projects and partnerships – producing a Combined Assurance Status report in January 2020.

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**Consultancy Assurance**

At the request of management we undertake specific reviews where they may have some concern or are looking for some advice on a specific matter or around governance, risk and controls for a developing system. Such reviews are not normally given an audit opinion.

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## Annual Internal Audit Opinion

We are satisfied that the level and mix of resources - together with the areas covered in the plan - will enable the Head of Internal Audit to provide their annual internal audit opinion.

# Appendix A – Internal Audit Plan

Our current planned audits are listed below.

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
<b>Financial Governance</b>						
Key Control Testing	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.	N/A	N/A		✓	
Financial Strategy and Modelling	To review the financial strategy and provide assurance that it is accurate, compliant and assumptions are realistic, documented and tested. Appropriate approval has been obtained.	A	A		✓	
Capital Programme	To provide assurance that the capital programme is appropriately approved, financed and reported.	A	G		✓	
Budgetary Control /Management	To provide assurance that the budgets are set in accordance with the financial strategy and Council priorities with accurate reporting and monitoring.	A	A		✓	
Procurement	To provide assurance over the new arrangements in place for procurement.	R	G	✓	✓	✓
General Ledger/Financial reporting	To review the general ledger to provide assurance that transactions within it are accurate and agree with the feeder systems. Access to the ledger is appropriately restricted.	A	A		✓	
<b>Governance and Risk</b>						
Performance	To provide assurance that the performance process is effective and has a clear link with the Councils' corporate plan. To follow up the recommendations made within the previous report which received a Limited assurance rating.	A	A		✓	
Corporate Planning	To provide assurance that there is a corporate plan in place which clearly links to the priorities of the Council, activities completed by Business Units and how achievement of the priorities are measured - the golden thread.	A	A		✓	

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Strategic Risks	Strategic risks are identified, managed and linked to the corporate priorities of the Council. There is a process in place which ensures that they remain current and action plans ensure that risk mitigation actions are implemented as planned.	G	G	✓	✓	
Workforce changes and succession planning within the Council including changes within the management team	The Council has a workforce plan in place which meets the changing needs of the Council and the demographic and skills of staff. There is also a plan in place for succession planning of key staff identifying positions which hold the greatest risk if vacant i.e. specialist knowledge, statutory responsibility, lone workers etc.				✓	✓
<b>Critical Activities</b>						
Public Protection	To provide assurance that the Council is complying with it's duties in respect of Public Protection including a clear strategy and partnership working. Income due through the issue of Fixed Penalty notices is collected and used as prescribed.	R			✓	
Community Centres	Review of the processes in place which ensure compliance with lease and occupiers liabilities providing the Council with assurance over their assets.	G	G			✓
Land Charges	To provide assurance that applications are processed on time and in accordance with legislation.	A	A			✓
Newark Cattlemarket	The provide assurance that the arrangements in place for the management of the cattlemarket ensure that the income is collected in accordance with the lease and the terms of the lease are adhered to. The council ensures that the current use and lease supports it's priorities on regeneration for the town.	A	A			
Customer Comments	To review the process in place for the receipt of customer comments/complaints and provide assurance that these are dealt with in accordance with the Councils processes and used to inform future service improvements.	A	G		✓	



Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Housing Options	To provide assurance that the homelessness service is meeting its objectives and priorities and complies with legislation. The project for the provision of temporary accommodation is well managed and complies with Council processes.	A	A	✓	✓	
Building Control	There are effective monitoring arrangements in place which ensure that the residents of the district are getting the service expected and included within the agreement.	A	G			
<b>Project Assurance</b>						
Pay and grading	To review the process for implementing the revised pay and grading structure to provide assurance that it has been approved and implemented correctly.	A	A	✓	✓	
Buttermarket	To provide assurance that there is effective management of the Buttermarket to ensure that it meets the objectives of the Council.				✓	✓
<b>ICT</b>						
ICT Patch Management and Change Control	To provide assurance that established organisational processes for patch management and change control are followed and that the systems upon which the Council relies are routinely and regularly checked for vulnerabilities with remedial actions being promptly taken where vulnerabilities are identified.	R	A	✓		
ICT Incident Management	To provide assurance that there is a consistent and effective approach to the management of incidents and cyber security events, including communication on security events and weaknesses.	R	A	✓		
<b>Follow-up</b>						
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.					✓

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
<b>Combined Assurance</b>						
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.			✓		✓
<b>Other</b>						
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.					✓
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium Accounts					✓
Newark Cattlemarket	Completion of the rent calculation for 2018/19					✓
<b>Days</b>		<b>252</b>				

<b>Non-Audit</b>	
Advice and liaison	
Annual Report	
Audit Committee	
Review IA Strategy and Planning	
<b>Days</b>	<b>33</b>

<b>Grand Total</b>	<b>Total</b>
<b>Internal Audit Days</b>	<b>285</b>
<b>Fee</b>	<b>£80,370</b>

## Appendix B – Areas not included in the current plan

These are the areas which are not on the plan but are important.

Auditable Areas	Previous Audit	Coverage	Level of Assurance provided	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority
ICT - Malware Protection	Not audited		N/A	R	G		
SLA management	2016/17	Partnerships - Active for Today specific	Substantial		G		
Contract Management - Castle Gate House	2018/19	Consultancy on general contract management	N/A	R	G		
Public Health	Not audited		N/A		G		✓
Project management	2015/16	Consultancy	N/A	R	G		
Partnerships	2016/17	Active for Today specific	Substantial	G	G		
IDOX	Not audited		N/A	A			
Licensing	2018/19	Public protection	Ongoing	A	G		✓
Parks and amenities	Not audited		N/A	A	G		✓
Planning Applications	2015/16	Planning Applications	High	A	G		
National Civil War Centre	2016/17	Financial Processes	Substantial	A	A		✓
ICT - Software Licensing	Not audited		N/A	A	G		
Transport	2016/17		Substantial	A	G		
Palace Theatre	2016/17	Financial Processes	Substantial	A	G		✓
External Communication	2013/14	Social media	Limited	A	G		✓
Housing Strategy	2014/15	Housing Strategy	SIN	A	G	✓	✓
	2015/16	Affordable Housing	Substantial				

# Appendix C – Head of Internal Audit's Opinion

Our work is carried out in conformance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council activities – seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the Council which has been established to:

- Achieve strategic objectives
- Ensure effective and efficient operational systems and programmes.
- Safeguard assets and interests of all kinds (including risks that relate to work it undertakes through partnerships)
- Ensure the reliability and integrity of financial and operational information.
- Ensure economic, efficient and effective use of council resources.
- Ensure compliance with established policies, procedures, laws, regulations and contracts.

## Our Internal Audit Strategy

It is important that the Internal Audit function focusses its work on what matters most to you – providing insight, assurance and added value to the Council. Whilst we have a plan in place this is flexible and may be changed during the year enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. The plan is therefore more dynamic and responsive – essential for an effective Internal Audit service.

Our internal audit activity and plan has been driven by the Council's key objectives within the corporate plan, your key risks and critical service areas identified as part of the Combined Assurance Map.

We aim to align our work with other assurance functions – seeking to look at different ways of leveraging assurance to help us to maximise the best use of the Internal Audit resource and other assurance functions in the Council.

By adopting this approach it is possible to give the Council comfort that there is a comprehensive risk and assurance framework with no potential gaps. We are then able to use our audit planning tool to target resources. This will to minimise duplication of effort through sharing and coordinating activities with management and other management oversight functions.

We have identified the level of assurances in place by using the "Three lines of assurance" model – See **Figure 2.**

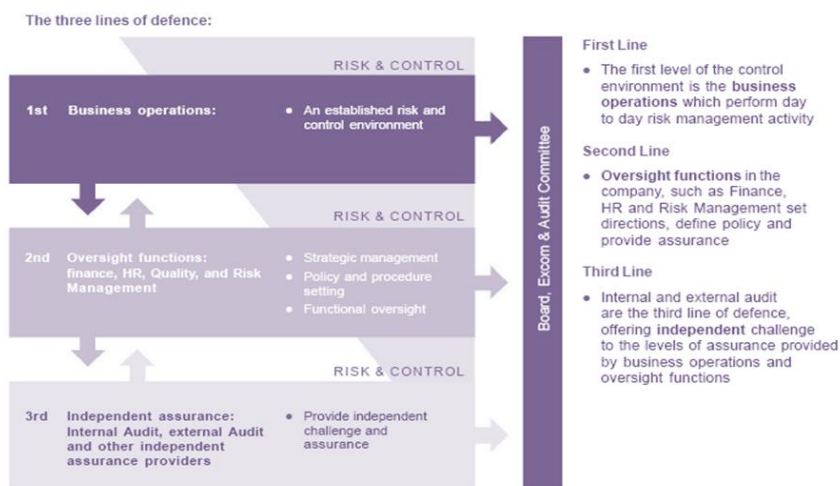
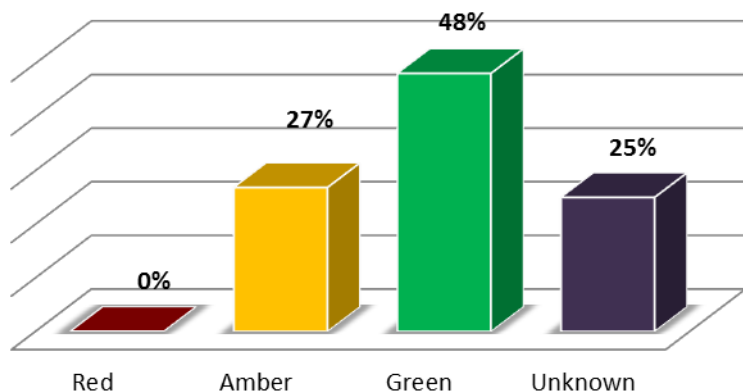


Figure 2 – The three lines of defence

Figure 3 shows the overall assurance levels on the Council's critical activities as at November 2018.

### Overall Assurance Status 2018/19



**Red** Low level of assurance  
**Amber** Medium level of assurance  
**Green** High level of assurance

Figure 3 – Overall Assurance Status

Our Internal Audit Strategy also seeks to co-ordinate our work with other assurance providers where we can. In particular we liaise with External Audit to ensure the Council gets the most out of its combined audit resource – keeping audit fees low.

## Appendix D – Working Protocols

Our approach to delivering of internal audit work is based on a clear protocol detailed in the Audit Charter. How this works in practice is set out at the bottom.

Our performance is monitored by the Section 151 Officer and the Audit Committee - measured against 3 key areas:

- Delivery of planned work.
- Timeliness (contemporary reporting).
- Quality and Impact of work (communicating results / added value).

Strong communication is fundamental to quality delivery and maintaining trusting relationships. We keep management informed in accordance with agreed protocols including:

- Agreeing potential audit work for the forthcoming year
- Providing quarterly updates to evaluate progress and discuss activities and priorities for the next quarter.
- For individual audit engagements we hold planning meetings in person (our preference) by phone or email to discuss and agree the terms of reference and scope of our work..
- We keep you informed of key findings during the audit and upon conclusion we hold a debrief meeting in person to discuss our findings and any outstanding issues.
- We communicate the results of our audit work in a clear and concise way – securing management action where control improvements are needed.

Weeks prior to fieldwork	-4	←	Notify key stakeholders of audit at least 4 weeks prior to fieldwork
	-0-4	←	Meet with Director or Business Manager (Audit Sponsor) to agree draft terms of reference (TOR) and obtain approval
Fieldwork			Initial meeting with auditees and audit sponsor
			Keep in regular contact with audit sponsor throughout the fieldwork
			Fieldwork completed
Weeks after fieldwork	+2	←	Draft report ready for internal review within 10 working days of fieldwork completing
	+3	←	Internal review
	+4	←	Draft issued within 5 working days of review
	+7	←	Closure meeting and Management response within 15 days of receipt of draft report
	+9	←	CMT review of draft
	+10	←	Final report issued within 5 days of management response

# Appendix E – Our Quality Assurance Framework

Quality is built into the way we operate – we have designed our processes and procedures to conform to best practice applicable to Internal Audit – in particular the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

Our audit team offers a wide depth of knowledge and experience gained across different organisations. We promote excellence and quality through our audit process, application of our Quality Assurance Framework and our training and development programme.

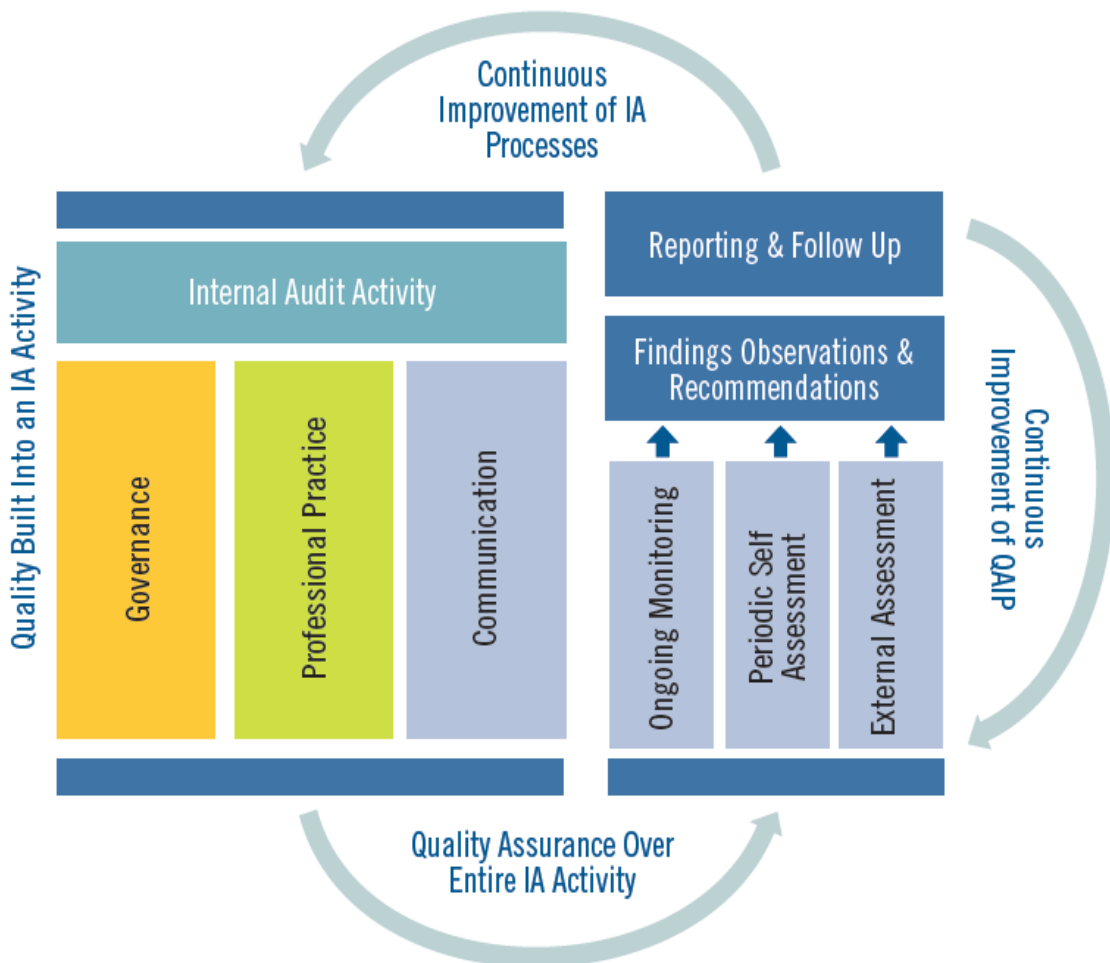
Our Quality Assurance Improvement Programme incorporates both the internal (self) and external assessments – this is a mandatory requirement and the Head of Audit reports annually on the results and areas for improvement. Our internal assessments must cover all aspects of internal audit activity – **The diagram below** shows how we structure our

internal assessments to ensure appropriate coverage.

We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.

Our Internal Audit Charter sets out the nature, role, responsibilities and authority of the Internal Audit service within the Council – this was approved by the Audit & Accounts Committee and is due to be reviewed in 2019 following the planned revision of the CIPFA Local Government Application Note.

## Quality Assurance and Improvement Program (QAIP) Framework



**AUDIT & ACCOUNTS COMMITTEE****6 FEBRUARY 2019****WORK PLAN**

<b>Meeting at which action to be undertaken</b>	<b>Subject and Brief Description</b>	<b>Who will present the report</b>	<b>Intended Outcome</b>
<b>6 February 2019</b>	Draft Treasury Strategy 2019/20	Andrew Snape	Gain assurance that risks in relation to the Council's treasury management activities are to be managed in accordance with need and the Council's risk appetite
	Draft Capital Strategy 2019/20	Andrew Snape	Outlines the principles and framework that shape the Council's capital proposals
	Draft Investment Strategy 2019/20	Andrew Snape	The investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government.
	Capital Programme Carry Forwards	Andrew Snape	Review of the capital carry forwards from 2017/18.
	Internal Audit Progress Report 2018/19	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	External Certification of Grant Claims and Returns 2017/18	John Cornett (KPMG)	Gain assurance that claims and returns have been managed appropriately,
	Review of significant internal control issues highlighted in the Annual Governance Statement	Nick Wilson	Gain assurance that the Council is making progress on any governance issues that were raised in the AGS
	Draft Annual Internal Audit Plan 2019/20	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Ensure that an appropriate plan is in place which will provide assurance on the Council's activities
	Responses to questions raised at previous meeting	Nick Wilson	
	Audit Committee Work Programme	Nick Wilson	
<b>24 April 2019</b>	Statement of Accounting Policies	Andrew Snape	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts



	IAS19 Pension Assumptions	Andrew Snape	Gain assurance that the pension assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Property, Plant and Equipment Valuation Assumptions	Andrew Snape	Gain assurance that the assumptions used by the Council's valuers to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Internal Audit Progress Report 2018/19	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Counter-Fraud Activity Report	Nick Wilson	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	External Audit Plan for 2018/19 Accounts	TBC (Mazars)	Ensure that an appropriate plan is in place which will provide assurance on the Council's Statement of Accounts, Value for Money arrangements and Grant claims
	Fraud Risk Assessment	Nick Wilson	Gain assurance that the Council understands its fraud risks and that actions are put in place to address them
	Responses to questions raised at previous meeting	Nick Wilson	
	Audit Committee Work Programme	Nick Wilson	
<b>19 June 2019</b>	Biannual Review of the Effectiveness of the Internal Audit Function	Nick Wilson	To consider whether the Internal Audit function is operating effectively and produce an action plan to address any required improvements
<b>TBC June 2019</b>	Training session on Statement of Accounts	Andrew Snape	Ensure that the Committee has the appropriate skills to be able to review the Council's Statement of Accounts and consider the integrity of financial reporting
<b>26 July 2019</b>	Treasury Management Outturn Report 2018/19	Andrew Snape	Gain assurance that treasury management activities were in line with the Treasury Management Strategy for the past financial year

	External Audit Annual Governance Report 2018/19	TBC (Mazars)	To gain assurance that the Council's Statement of Accounts are a true and fair representation of the Council's financial performance for the previous financial year and financial standing as at the Balance Sheet date, and that the Council has effective arrangements for achieving Value for Money
	Statement of Accounts 2018/19 & Annual Governance Statement	Nick Wilson	Gain assurance on the integrity of financial reporting By considering the assurance gained through its activities throughout the previous year, to give assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified, and that arrangements in place support the achievement of the Council's objectives
	Internal Audit Progress Report 2018/19	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Annual Internal Audit Report 2018/19	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Gain assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified and that governance arrangements support the achievement of the Council's objectives
	Results of the Review of the Assessment of Effectiveness of the Internal Audit Function	Nick Wilson	Gain assurance that the Internal Audit function is operating effectively and that an action plan is in place to address any required improvements
	Audit Committee Work Programme	Nick Wilson	