

Internal Audit Annual Report 2021/22



Newark and Sherwood District Council

What we do best...

Innovative assurance services
Specialists in internal audit
Comprehensive risk management
Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers
Existing strong regional public sector partnership
Auditors with the knowledge and expertise to get the job done
Already working extensively with the not for profit and third sector

Contents

Annual Opinion

Page 1

Governance
Risk
Internal Control
Financial Control

Our work

Page 13

Scope of Work
Restriction of Scope
Other Significant Work
Quality Assurance

Benchmarking

Page 16

Assurances
Recommendations
Key Performance Indicators

Appendices

Page 20

Good Governance Principles
Details of Audits
Details of Audit Plan Changes
Action Tracker - status
Assurance Definitions
Financial Management – Action Plan
Glossary of Terms

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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 on the work undertaken as part of the agreed internal audit plan.

Purpose of Annual Report

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2020. In particular:-

- Include an opinion on the overall adequacy of and effectiveness of the Council's governance risk and control framework and therefore the extent to which the Council can rely on it
- Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion
- A statement on conformance with the PSIAS and the results of the internal audit quality assurance)
- Draw attention to any issues particularly relevant to the Annual Governance Statement

Introduction

For the twelve months since the last Annual Report in July 2021, the Council's arrangements for governance, risk management and control framework have continued to support delivery of its corporate objectives and priorities. During the period, and following the recommendations made in the Peer Review, there have been significant developments and changes in the governance structure of for the Council including the reinstatement of the Executive or Cabinet style structure. A Policy and Performance Improvement Committee is in place, which provides Scrutiny functions, and the Council is also supported by other committees and the Boards. The new governance model is now operational with an effective date of 17th May 2022.

The Council's Audit and Governance Committee replaced the Audit and Accounts Committee and where decisions and matters presented in this report were carried out by the former committee, we have made reference to the Audit and Accounts Committee to provide the context.









Other significant changes included the finalisation of the Council's corporate restructure to provide capacity and capability to deliver its Community Plan objectives and future focused ambitions which include delivery of major projects in the years ahead.

It has been another challenging year for the Council – responding, supporting and recovering from the pandemic. Its systems and processes have operated effectively during this time both remotely and more latterly in a hybrid way – with staff working at home and in the office.

My opinion needs to consider the impact of all this on the Council's governance, risk and control environment. Our work primarily commenced in quarter 2 and during the year, as the risks faced by the Council changed, we reviewed and revised our audit plan where necessary to reflect the impact of these.

Annual opinion

Based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of the Council's arrangements for governance, risk management and control is:-

| Area | Opinion | Direction of Travel |
|---|---|---|
| Governance  | Performing Adequately – Some improvements identified over the Council's governance and control framework |  Improved |
| Risk  | Performing Well – No concerns that significantly affect the risk management framework |  Improved |
| Internal Control  | Performing Adequately – Some improvement required to manage a high risk in a specific business area and medium risks across the Council. |  Improved |
| Financial Control  | Performing Well – No concerns that significantly affect the financial control framework |  Improved |



It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

Each year the Council is required to reflect on how its governance arrangements have worked – identifying any significant governance issues that it feels should be drawn to the attention of the public – in the interests of accountability and transparency.

The Council's Combined Assurance report provides a key element of its governance and assurance arrangements. It provides the Senior Leadership Team and the Audit and Governance Committee with better understanding regarding the assurances across all the Council's critical services, key risks, significant projects and partnerships identifying any areas for greater oversight, improvement and assurance gaps.

Overall, there is a positive assurance picture for the Council but one that reflects the complex environment in which it operates. As a learning Council that seeks continuous improvements, there is recognition that some areas of the combined assurance will be red and amber on which an action plan is required to address any identified concerns.

The Council continues to refresh and monitor performance against its four-year Community Plan. The current plan (2020-2023) sets out the Council's seven objectives and how these will be achieved. The plan was last updated in September 2020.

Following the Full Council's resolution to adopt a Leader and Cabinet style of governance in May 2021, a working group of Members has worked and refined the proposed structure of the new governance arrangements.

The Executive has five Portfolio Holders and includes the leader of the largest opposition party as a voting member.

The new governance arrangements will enable decisions to be made more quickly and reduce some of the bureaucracy that resulted from the Committee system. There is a Call-In Sub-Committee which provides a mechanism for elected members to intervene in exceptional circumstances when they feel that the Executive decision needs to be revisited.

All key staff and elected members have received training around the new governance arrangements. This provides clarity on responsibilities and accountabilities. An internal management led review is planned after six months of implementing the new governance model to assess its effectiveness.

The Council had an established Shareholder Committee that had oversight over the governance arrangements of its wholly owned company Arkwood Development whilst Leisure and Environment committee had oversight of the Active 4 Today. Under the new model, oversight of the Council's companies will be an Executive function with support from officers as required. The working group reached the view that it would not be appropriate for a single Shareholder committee to discharge shareholder responsibilities in relation to the Council's wholly owned companies.

The Council works collaboratively with several partners towards the achievement of some identified 2020 – 2023 Community Plan objectives. During the year, full Council approved adoption of Nottingham and Nottinghamshire Compact. The Compact, asks public sector partners and the Voluntary Community Service (VCS) to commit to a set of shared values and principles which support long-term development of effective partnership working.



"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

The Council has two wholly owned Companies and several significant projects for which strong governance arrangements are fundamental especially given some of the recent high-profile failings locally and nationally. We planned to undertake the Companies governance review during 2021/22. A change in the Council's governance arrangement affected completion of the review and this is now planned during 2022/23. We are not aware of any significant governance concerns in this.

The Council has successfully secured grants for Levelling-Up (£20m) and the Towns Fund for Newark (£25.6m).

The Department for Transport has also confirmed approval of the outline business case, allocating £24.4m to the Ollerton Roundabout Improvement scheme. The scheme is designed to support growth and development through reduced congestion at key intersections, improving the predictability of journey times and providing more traffic capacity for future growth. The Council is not the Accountable Body for this scheme but is a key partner.

These are significant projects requiring robust governance arrangements to ensure their successful delivery.

We suggest that appropriate governance review for these schemes is included in the Annual Governance Statement.

During the year, the Council reviewed the significant governance issues identified in the 2020/21 Annual Governance Statement.

It was noted that significant progress had been made against all three governance issues which included one of its two Companies, the re-integration of Housing Management Function and Yorke Drive Development programme.

One significant governance issue has been identified regarding a change in the system of Governance. A review is planned during 2022/23 to evaluate whether the new governance arrangements are working effectively. The Member Working Group will be reconvened to undertake the review and a report will be presented to the Audit and Governance Committee.

We continue to observe that the Senior Leadership Team (SLT) and political leadership are embracing and driving a positive change in culture. There is evidence that the Council proactively seeks to learn lessons from past experiences to strengthen decision making process.

We carried out a review of the decisions made in relation to the London Road Municipal Buildings at the request of the Senior Leadership Team. Our findings from that report indicate that the Council's arrangements for decision making have improved significantly since that period. We focused on the Council's compliance with good governance principles presented in Appendix 1.

We have made some suggestions to improve the governance arrangements and decision-making process going forward – many of which have already been actioned by the Council.

Governance



"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

The Audit and Governance Committee plays a key role in the Council's governance framework. There have been changes to the membership of the committee. The new Committee has more members, which potentially strengthens members' collective role to challenge and increase the officers' accountability. There is also a potential for increased focus on the wider governance issues than the previous arrangement.

The Council ensures continued existence of a non-voting Independent member at the Audit and Governance Committee to further strengthen the members' critical friend role. Full Council has oversight over the appointment of any Independent Members.

To ensure improved transparency, full Council requested that a Members Independent Remuneration Panel reconvenes with a view to writing a further report for Full Council to enable a new Scheme of Members Allowances to be adopted from May 2022 to account for the new governance arrangements.

In 2022-23, we will be undertaking several audits which will give additional assurance around the effectiveness of the Council's governance arrangements. The audits include:-

- Newark Towns Funds & Levelling Up Funds
- Company Governance (Arkwood Development and Active 4 Today)
- Planning Applications (Decision Making)
- Governance Review (Health Check)

The above information helped inform the Head of Internal Audit's opinion.

Governance assurance



Assessed as Performing Adequately



Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This puts us in a stronger position to deliver our goals and provide excellent services.

Overall, the Council's risk management arrangements are well-managed. A facilitated strategic risk workshop was undertaken with the Council's Senior Leadership Team in February 2022 to review the risks and the effectiveness of the associated mitigating measures. The review covered key risks that are prevalent within the current operating environment.

Currently, there are 13 strategic risks (7 amber and 6 red) which the Council monitors. The red risks mainly relate to new areas and SLT and the relevant directorates regularly carry out risk reviews and appropriate mitigating controls are put in place to manage the risks. The strategic risks are aligned with the corporate objectives set out in the Community plan.

The Council has also reviewed its operational risks establishing new service risks where appropriate. All operational risks requiring attention will continue to be reported quarterly to both the Risk Management Group and SLT in line with the existing management assurance processes.

There is a refreshed Risk Management Strategy which governs the Council's Risk Management arrangements and sets out the Council's risk appetite. The strategy has been reviewed by the SLT and approved by the Audit and Accounts Committee.

During the year we reviewed three strategic risks:-

Financial sustainability – General Fund

We carried out a review of the Strategic Risk covering the Financial Resilience for the General Fund. We did not identify any concerns and we gave a **High Assurance** opinion around the Council's financial resilience.

Environment

One of the Council's commitment is to become carbon neutral by 2035. We completed an audit of the Climate Change Emergency and Substantial assurance was given. There were processes and arrangements to support the delivery of the carbon neutral action plan. Delivery of the associated programmes is underway and progressing well.

Workforce strategy

Recruitment and retention of skilled workforce continues to present a local and national challenge. The Council has reflected on the challenges it faces and has carried out a well researched review. The review has provided insights of the key issues faced and a comprehensive action plan is being implemented.

We also completed a review of the Council's Health and Safety activity and we gave **Substantial Assurance** on the Health and Safety Audit.

Risk management is intrinsically linked and embedded within business planning and decision-making processes across the Council. We have not identified any additional significant risks requiring inclusion on the risk registers during the delivery of our audit work.

In 2022-23 audit plan, we will be undertaking two audits to review the effectiveness of the implementation of the Workforce Strategy Action Plan. An audit is also included in the plan to review the Council's strategic risk around the Growth Infrastructure. The reviews will provide further assurance on the Council's management of its significant risks.

Risk



Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This puts us in a stronger position to deliver our goals and provide excellent services.

Emerging issues

From the 2021-22 Combined Assurance work, the Council demonstrated greater awareness of the emerging risks e.g. changes in government policy and regulations. Appropriate action is taken to ensure the affected key service areas are prepared to embrace the anticipated changes.

During the year, we completed two audits (the Landlord Compliance and Project Strategy), which were both given Limited Assurance. Progress is being made to address the identified issues. The assurance level for the Project Strategy is indicative.

Fraud Risk

During the year, Assurance Lincolnshire's Counter Fraud Team facilitated a full fraud risk workshop which supported the review and update of the fraud risk register and no areas of concern were identified.

There were no new cases of significant fraud that occurred or were reported during the year which required investigations except those that were being concluded from the previous years.

Where the Council experiences fraud incidents, action is taken to ensure the incidents are appropriately investigated and lessons learned. Where there is substantial evidence that a crime has been committed, referrals are made to the police authority. Members of the Audit and Accounts Committee are kept updated on the progress of the fraud investigation.

The above information helped inform the Head of Internal Audit opinion on the effectiveness of the Council's risk management arrangement.

Risk Management assurance



Assessed as Performing Well

Internal Control



We take account of the outcome of our audit work during the 2021/22 year. As our audit plans include different activities each year it is not unexpected that assurance varies. However the assurance levels still give insight into the Council's control environment.

Our opinion is based on several sources of intelligence including the outcome of our internal audit work presented in Appendix 2 and 3, the combined assurance work and other sources of intelligence.

Overall, there is a positive assurance picture for the Council but one that reflects the complex environment in which it operates – recognising that some areas will remain Amber.

This year's overall assessment of the level of assurance resulted in the identification of 3% Red, 37% Amber and 58% Green assurance ratings. These are presented on page 10. This has provided a realistic assessment of the Council's Internal Control status and supported the formulation and agreement of the 2022-23 audit plan.

We are anticipating that we will issue three Limited assurance reports for our 2021-22 audit work. Two of these are within the Housing, Health and Wellbeing and one in the Resources directorate. The percentage of the Limited reports is lower than the previous year and we have presented the outcomes on page 16.

The outcome of our work during 2021/22 which directly supports our evaluation of Internal Control is presented in the following tables:-

| Audit area | Assurance level |
|--|-----------------|
| Combined Assurance | Consultancy |
| Housing Options | Substantial |
| Capability and Capacity (ICT) | High |
| Cyber Security Follow-up | Substantial |
| Cloud Hosted Services | Substantial |
| Covid Related Impacts | High |
| Strategic Risk - Financial Resilience | High |
| Community Lottery | Substantial |
| Grounds Maintenance and Cleansing Services | Substantial |
| Climate Change Emergency | Substantial |
| Careline Service | Substantial |
| Workforce Planning | Consultancy |
| Policies and Procedures | Substantial |

Internal Control



We take account of the outcome of our audit work during the 2020/21 year. As our audit plans include different activities each year it is not unexpected that assurance varies. However the assurance levels still give insight into the Council's control environment.

| Audit area | Assurance level |
|---|-----------------|
| London Road Municipal Buildings | Consultancy |
| ICT - Physical and Environmental Security | Substantial |
| Health and Safety | Substantial*** |
| Contract Management (General) | Substantial*** |
| Project Strategy | Limited*** |
| Landlord Compliance | Limited |
| Social Housing Charter | Consultancy |
| *** Indicative Assurance Level | |

The number of audits receiving High assurance increased during the year by **25%** in comparison to the previous year. There was also a decrease of **37.5%** over the previous year in the number of audits given a Limited assurance. The number of audits given substantial increased by **2.9%**.

During the year we made **79 High/Medium** recommendations for improvement and agreed **52 related improvement actions**. 35 of these actions were due for implementation during the year and 24 actions (**69%**) **have been implemented presenting 2.8% reduction** in the number of in-year actions implemented.

Currently, there are 11 actions that are due for implementation. Further details are presented in Appendix 4.

We continue to monitor all outstanding audit

actions and updates are regularly provided in the Internal Audit Progress reports which we presented to the Audit and Accounts Committee. We will continue presenting progress to the new Audit and Governance Committee.

Our recent planned audits of the follow-ups have shown that a significant proportion of the agreed actions which we selected for review had been satisfactorily implemented (**88% in 2021/22 and 86% in the previous year**).

During the year, we attended and observed several directorate meetings where we confirmed that matters of internal control are discussed, and actions are taken where appropriate to address areas of concern.

The Senior Leadership Team continues to embrace a culture of openness and proactively seeks to strengthen areas of weaknesses identified from our audit and investigation work.

Internal Control assurance



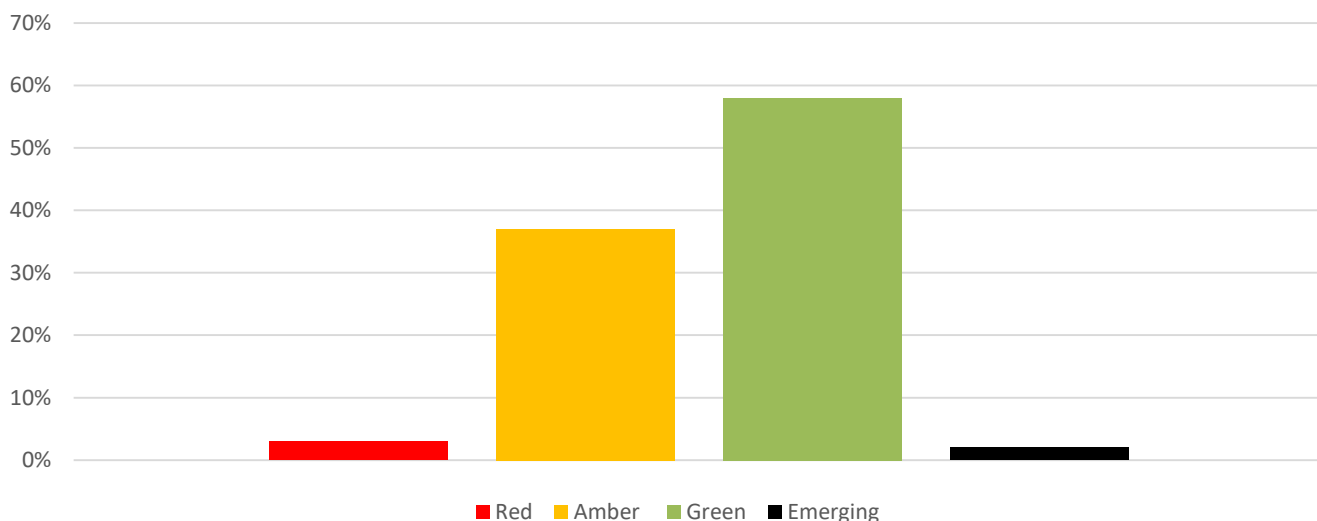
Assessed as Performing Adequately

Internal Control

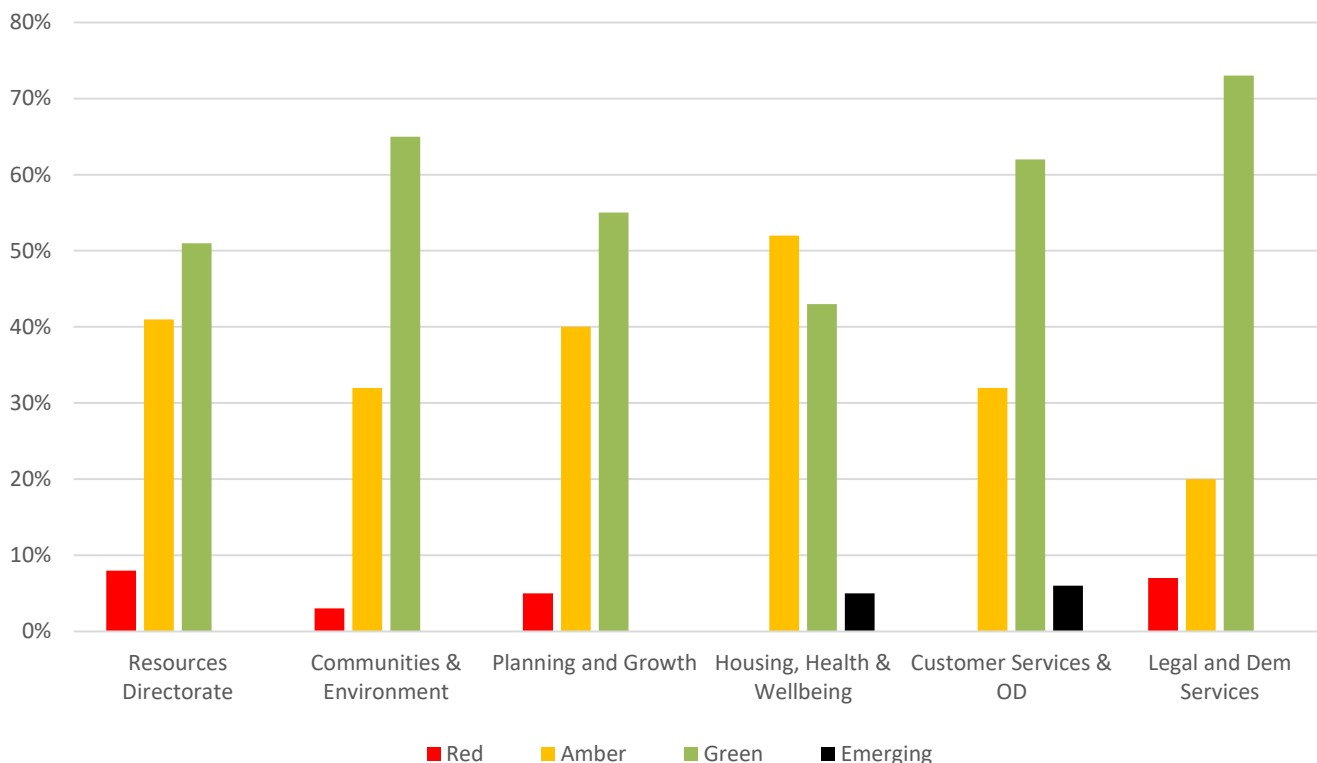


A Combined Assurance Status report is produced by the Council's managers on the level of confidence they can provide on service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. These reports are reviewed by the Audit Committee and provide key assurance evidence to support the Head of Internal Audit opinion.

Overall Combined Assurance (2021-22)



Combined Assurance by Directorate (2021-22)





Our audit plans include providing assurance over our key financial systems, the level of risk influences frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

During the year we reviewed the following audits which directly contributed to our assessment of the Council's Financial Control. We did not identify any areas of concern.

| Audit area | Assurance level |
|--|------------------|
| Section 106 (Developer Contributions) | Consultancy |
| Debt Management | Substantial |
| Follow-ups 2020/21 and 2021/22) | Substantial |
| Flood Grant (2020/21 and 2021/22) | Positive opinion |
| Housing Benefits and Council Tax Reduction | High |
| Mansfield Crematorium | Positive opinion |
| Gilstrap Accounts | Positive opinion |
| Test and Trace Support Payment | Positive opinion |
| Culture Recovery Funds (CRF1, 2 and3) | Positive opinion |
| Key Control Testing (2021/22) | Substantial*** |
| *** Indicative assurance | |

Our review of the Covid Related Impacts had given us a High assurance highlighting the following:-
"The Medium-Term Financial Plan (MTFP) has also been updated to reflect changes in income and expenditure due to Covid-19.

Detailed and regular budget/financial monitoring has taken place to identify the impact of the pandemic on individual service areas and the Council as a whole. Covid-19 grants/funding have been appropriately claimed and allocated, minimising the financial impact of the pandemic on service area budgets..."

The Council's External Auditors published their Annual Report in January 2022 for the year ended 31st March 2021. They concluded that there were no significant weaknesses in the Council's value for money arrangements around:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

The External Auditors' VFM conclusions for the year ended 31st March 2022 has not been completed. We do not anticipate any significant changes given the assurance intelligence gathered in forming the Head of Internal Audit opinion.

CIPFA's Financial Management Code sets out 17 Financial Management Standards against which Councils are required to undertake a self-assessment to ensure compliance. The Council's self-assessment confirmed that 15 of the 17 standards are fully achieved (Green assurance) whilst two standards were assessed as Amber.

8 improvement actions were identified, and implementation is progressing well. Appendix 7 provides a progress update on the identified actions.

Financial Control



Our audit plans include providing assurance over our key financial systems, the level of risk influences frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

There are two strategic risks in place covering the Council's Financial sustainability and resilience for both the General Fund and the Housing Revenue Account. These risks are regularly reviewed, and their current risk rating is Amber. Which is in line with the Council's risk appetite.

The Council is in the process of replacing its Selima HR and Payroll integrated system with iTrent system with an expected go live date of November 2022. We are assured that good project management processes are in place to ensure successful implementation of the new system.

The Combined Assurance work undertaken during the year did not identify any significant concerns in the key financial systems.

The outcome of our internal audit work and the intelligence gathered through other sources of assurance has helped inform the Head of Internal Audit's opinion on Financial Control.

Financial Control assurance



Assessed as Performing Well

Our Work



The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.

Scope of Work

Our risk based internal audit plan was prepared taking into account the critical activities and key risks to support the basis of my annual opinion. It has remained flexible to enable us to respond to emerging risks and maintain effective focus.

The Audit & Accounts Committee approved the 2021/22 original audit plan of **285 days** in February 2021. During the year, we completed several grant certification audits and consultancy work which increased our direct planned audit days by 14.7% to 327 days.

We have delivered **95%** of the revised audit plan and more details on the plan can be found in Appendix 1.

There have been some delays encountered in the provision of information through our work with the Council. This issue has contributed to the decline in performance in finalising both audit and committee reports. The issue has been raised through discussions at Directorate meetings and support has been provided by the Deputy Section 151 Officer.

Restriction on Scope

In carrying out our work we identified no unexpected restrictions to the scope of our work.

We have worked closely with the Council's Senior Leadership Team to agree audit scopes.

I do not consider the restrictions and changes to the plan to have had an adverse effect on my ability to deliver my overall opinion.

We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the Internal Audit Plan.



We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

Quality Assurance

Our commitment to quality begins with ensuring that we recruit develop and assign appropriately skilled and experienced people to undertake your audits.

Having skilled and effective people remains at the heart of our workforce strategy. The team has provision for 23 full time equivalent posts – established to deliver both the County Council and external contracts internal audit plans.

Building capacity & resilience remains a key issue facing the partnership. We have secured additional temporary resources with external contractors and a further recruitment is planned in 2022.

During 2022/23 we will continue to build upon the strong focus on developing the next generation of audit and risk professionals. We will:

- Continue with our apprenticeship scheme for our audit team.
- worked closely with the University of Lincoln to restart the year long professional practice year placement in audit and finance.
- Set up a graduate training programme – working with our finance team

Our audit practice includes ongoing quality reviews for all our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.

There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and monthly one to one meetings.

All public sector internal audit services are required to measure how well they conform to the UK Public Sector Internal Audit Standards. An External Quality Assessment must be undertaken every 5 years – Assurance Lincolnshire's second external assessment was undertaken in February 2022. They concluded that:

"the Assurance Lincolnshire Partnership's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note".

No significant improvement recommendations were made. The final report from the External Quality Assessment will be shared with the Committee.

Our Work



We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

Quality Assurance

Our quality assurance framework helps us maintain a continuous improvement plan., which includes the following:

- **Workforce strategy** – building capacity and growing our own talent in both leadership and professional skills
- **Improving the audit process** - working with client senior management to improve progress and delivery of audits in a remote (hybrid) working environment
- **Continuing professional development** - around new and emerging practice guidance
- **Enhance digital capabilities** - in line with our digital strategy, including data analytics

External Audit

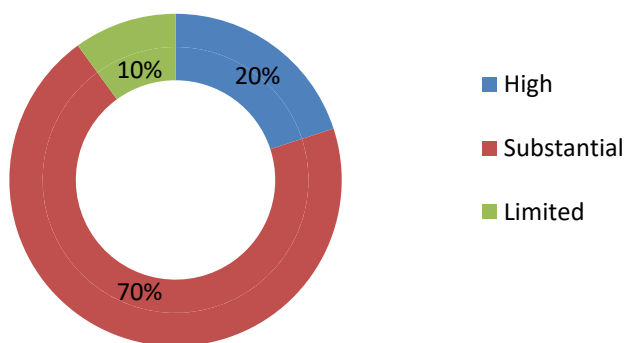
Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will use the results of internal audit work where it is appropriate.



Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

Assurances

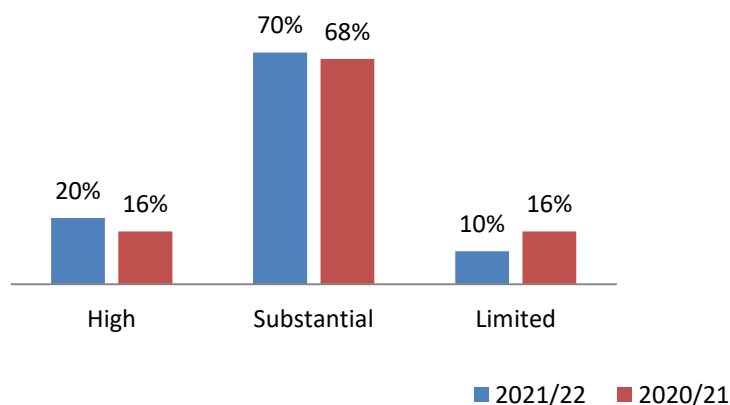
**Summary of Audit Assurance
(2021/22)**



**25%
increase in High
Assurance on last
year**



**Comparison of Audit
Assurances**



**2.9%
increase in
Substantial
Assurance reports
this year**



**37.5%
decrease in Limited
Assurance reports
this year**



Further details can be found at appendix 1

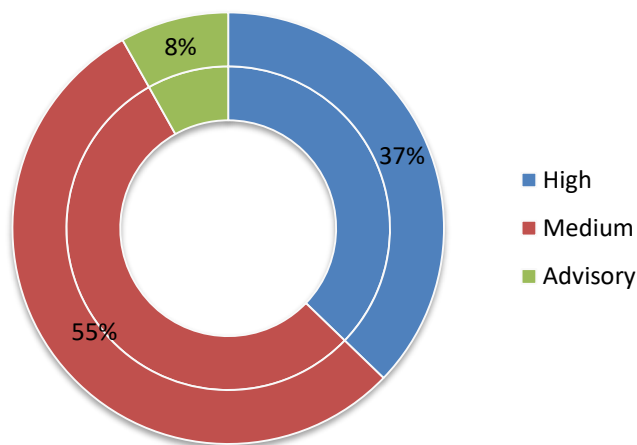
Benchmarking



Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

Recommendations

Summary of Audit recommendations
2021/22

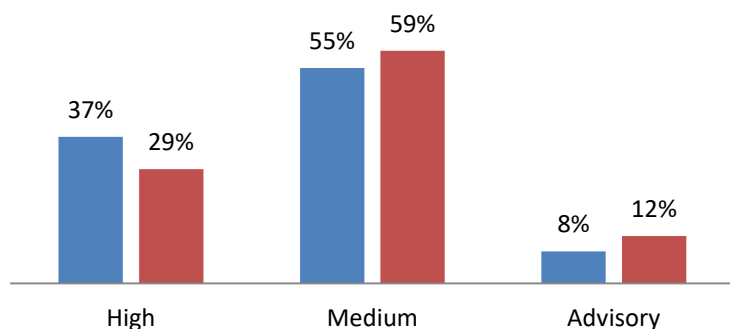


27.6% increase in
High
recommendations
during the period



Comparison of Audit Recommendations

■ 2021/22 ■ 2020/21



6.8%
reduction in Medium
recommendations
raised during the
period



33.3%
reduction in advisory
recommendations
raised during the
period



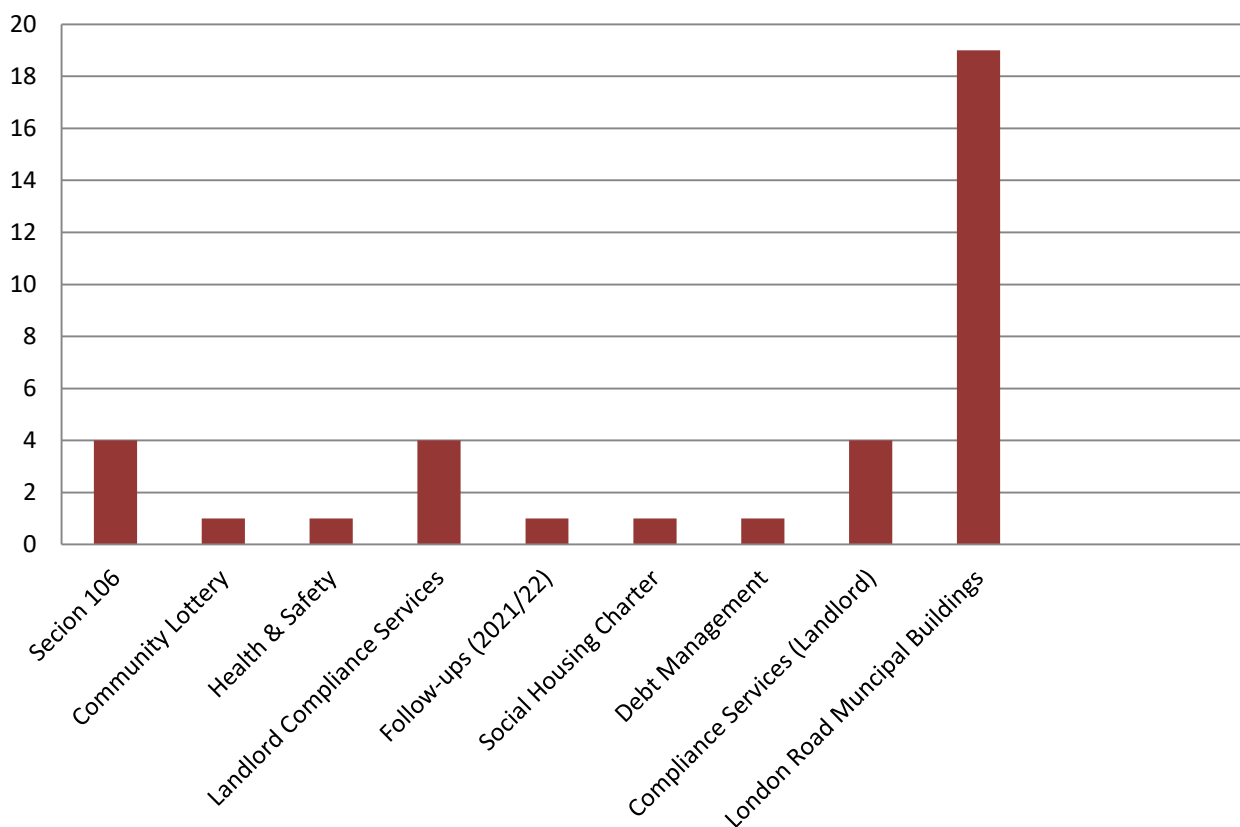
Further details can be found at appendix 1 & 3



Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

Analysis of High Recommendations by area

High Recommendations (2021/22)



Further details can be found at appendix 1



Internal Audit's performance is measured against a range of indicators. The table at Appendix 4 shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement in delivery of the revised plan and the added value of our work.

Performance on Key Indicators

95%

**Of revised
plan delivered**

69%

**of in-year agreed
actions
implemented**

100%

**Of key
financial
systems
delivered**

Further details can be found at appendix 1

| Principle | Description |
|-------------|--|
| Principle A | Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law |
| Principle B | Ensuring openness & comprehensive stakeholder engagement |
| Principle C | Defining outcomes in terms of sustainable economic, social, and environmental benefits |
| Principle D | Determining the interventions necessary to optimise the achievement of the intended outcomes |
| Principle E | Developing the entity's capacity, including the capability of its leadership and the individuals within it |
| Principle F | Managing risks & performance through robust internal control & strong public financial management |
| Principle G | Implementing good practices in transparency, reporting, and audit to deliver effective accountability |

| Audit | Rating | Type of audit | Status | High | Medium | Advisory | Total |
|--|-----------------------|---------------------|-----------|------|--------|----------|-------|
| NSDC 2019/20-16 - Housing Options | Substantial Assurance | Assurance | Completed | 0 | 8 | 0 | 8 |
| NSDC 2019/20-31 - S106 | N/A - consultancy | Consultancy | Completed | 4 | 2 | 0 | 6 |
| NSDC 2020/21-14 - Debt Management | Substantial Assurance | Assurance | Completed | 1 | 3 | 0 | 4 |
| NSDC 2020/21-19 - Capability and Capacity | High Assurance | Assurance | Completed | 0 | 0 | 0 | 0 |
| NSDC 2020/21-20 - Follow-ups | Substantial Assurance | Assurance | Cancelled | 0 | 0 | 1 | 1 |
| NSDC 2020/21-26 - Flood Grant (2020/21 and 2021/22) | N/A | Grant Certification | Completed | 0 | 0 | 0 | 0 |
| NSDC 2020/21-27 - Cyber Security Follow-up | High Assurance | Assurance | Completed | 0 | 2 | 0 | 2 |
| NSDC 2020/21-28 - Covid Related Impacts | N/A | Assurance | Completed | 0 | 0 | 0 | 0 |
| NSDC 2021/22-01 - Housing Benefits and Council Tax Reduction | High Assurance | Assurance | Completed | 0 | 0 | 0 | 0 |
| NSDC 2021/22-02 - Strategic Risk - Financial Resilience | High Assurance | Assurance | Completed | 0 | 1 | 0 | 1 |
| NSDC 2021/22-04 - Value for Money | N/A | Assurance | Cancelled | N/a | N/a | N/a | 0 |
| NSDC 2021/22-05 - Community Lottery | Substantial Assurance | Assurance | Completed | 1 | 0 | 0 | 1 |
| NSDC 2021/22-06 - Digital Strategy | N/A | Assurance | Cancelled | N/a | N/a | N/a | 0 |
| NSDC 2021/22-07 - Newark Civil War Museum and Palace Theatre | Deferred to 2022/23 | Assurance | Planning | N/a | N/a | N/a | 0 |
| NSDC 2021/22-08 - Grounds Maintenance and Cleansing Services | Substantial Assurance | Assurance | Completed | 0 | 3 | 0 | 3 |

| Audit | Rating | Type of audit | Status | High | Medium | Advisory | Total |
|---|--------------------------|-------------------|---------------------|------|--------|----------|-------|
| NSDC 2021/22-09 - Strategic Asset Management | TBC | Assurance | Deferred to 2022/23 | N/a | N/a | N/a | N/a |
| NSDC 2021/22-10 - Climate Change Emergency | Substantial Assurance | Assurance | Completed | 0 | 3 | 0 | 3 |
| NSDC 2021/22-11 - Customer Services | TBC | Assurance | Fieldwork | N/a | N/a | N/a | 0 |
| NSDC 2021/22-12 - Contract Management (General) | Substantial Assurance*** | Assurance | Completed | 0 | 4 | 1 | 5 |
| NSDC 2021/22-13 - Careline Service | Substantial Assurance | Assurance | Completed | 0 | 3 | 0 | 3 |
| NSDC 2021/22-14 - Workforce Planning | N/A | Consultancy | Completed | 0 | 0 | 0 | 0 |
| NSDC 2021/22-15 - Project Strategy | Limited Assurance*** | Assurance | Fieldwork | N/a | N/a | N/a | 0 |
| NSDC 2021/22-16 - ICT - Physical and Environmental Security | Substantial Assurance | Assurance | Completed | 0 | 2 | 1 | 3 |
| NSDC 2021/22-17 - Health and Safety | Substantial Assurance*** | Assurance | Completed | 1 | 3 | 0 | 4 |
| NSDC 2021/22-18 - Landlord Compliance | Limited Assurance | Assurance | Completed | 4 | 5 | 0 | 9 |
| NSDC 2021/22-19 - Mansfield Crematorium | N/A | Other - Financial | Completed | N/a | N/a | N/a | 0 |
| NSDC 2021/22-20 - Follow-Ups (2020/21) | Substantial Assurance*** | Assurance | Completed | 1 | 1 | 1 | 3 |
| NSDC 2021/22-21 - Social Housing Charter | Consultancy | Assurance | Completed | 1 | 2 | 0 | 3 |
| NSDC 2021/22-22 - Policies and Procedures | Substantial Assurance | Assurance | Completed | 0 | 1 | 3 | 4 |

| Audit | Rating | Type of audit | Status | High | Medium | Advisory | Total |
|--|--------------------------|--------------------------|-----------------|------|--------|----------|-------|
| NSDC 2021/22-23 - Gilstrap | N/A | Other - Financial | Completed | 0 | 0 | 0 | 0 |
| NSDC 2021/22-24 - Combined Assurance | N/A | Other - significant work | Completed | 0 | 0 | 0 | 0 |
| NSDC 2021/22-25 - Key Control Testing | Substantial Assurance*** | Assurance | Drafting Report | N/a | N/a | N/a | 0 |
| NSDC 2021/22-27 - Cloud Hosted Services | Substantial Assurance | Assurance | Draft Report | 0 | 4 | 0 | 4 |
| NSDC 2021/22-28 - Test and Trace Support Payment (Round 1) | N/A | Grant certification | Completed | N/a | N/a | N/a | 0 |
| NSDC 2021/22-29 - Culture Recovery Fund (CRFG1) | N/A | Grant certification | Completed | N/a | N/a | N/a | 0 |
| NSDC 2021/22-30 - London Road Municipal Buildings | N/A | Consultancy | Draft Report | 17 | 0 | 0 | 17 |
| NSDC 2021/22-31 - Culture Recovery Fund (CRF2 & 3) | N/A | Grant certification | Completed | N/a | N/a | N/a | 0 |
| *** Indicative Assurance Level | | | | | | | |

The following audits were removed from the original audit plan due to re-prioritising audit resources to those areas of highest risk.

- Selima HR/Payroll – the system is being replaced by iTrent and a review of the new system is included in the 2022/23 annual plan.
- Value for Money – the external auditors had undertaken work in this area. There were no issues identified and we have placed reliance on their work.
- Digital Strategy – replaced by Cloud Hosted Services.

The following audits have been deferred and included in the 2022/23 plan due to client capacity:-

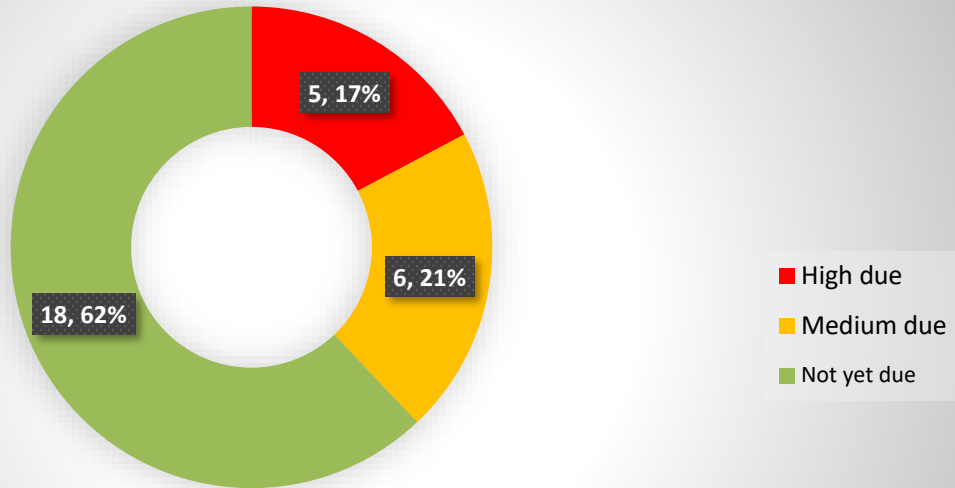
- Strategic Asset Management (deferred until 2022/23 due to capacity within the business unit)
- Company Governance (Arkwood Development and Active 4 Today) - deferred until 2022/23 as this area would be affected by the changes in the Council's governance structure from the Committee system to the Executive model.
- Newark Civil War Museum and Palace Theatre (deferred until 2022/23 to allow enabling internal work to be completed.

During the year we were requested to undertake the following additional work:

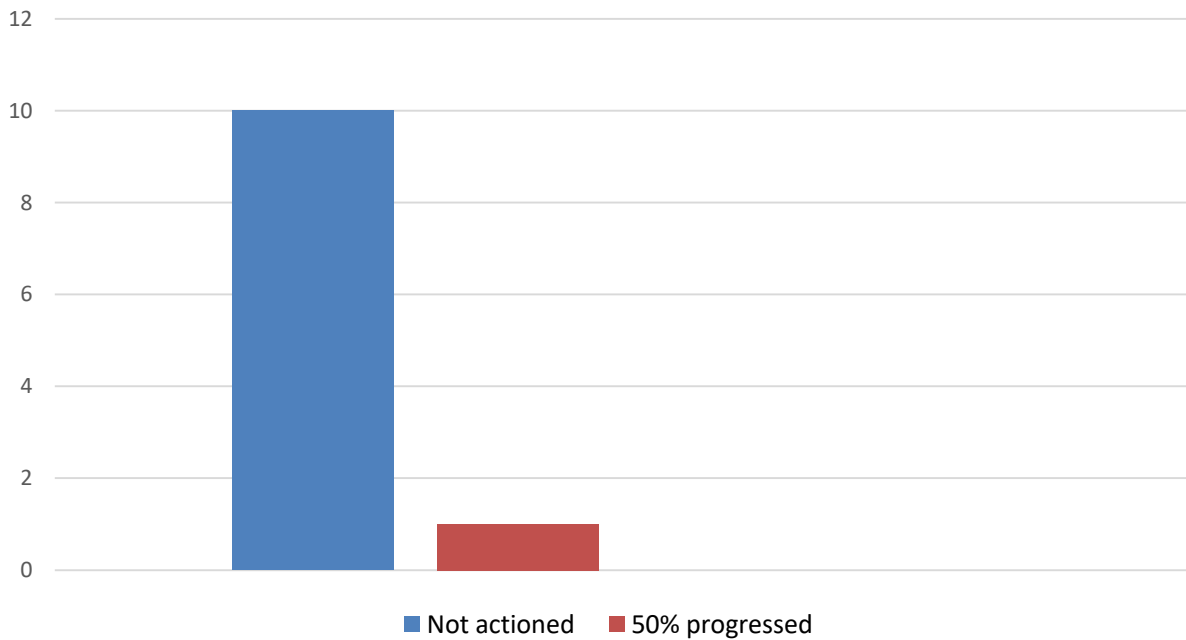
- Test and Trace Support Payments grant certification
- Culture Recovery Funds (Rounds 1, 2 and 3) grant certification
- Flood Grants certification (Rounds 1 and 2)
- London Road Municipal Buildings

The annual audit plan remains flexible with a process to postpone and change audits. This means we can adapt our plan and coverage to emerging risks but maintain control and transparency on changes which must be reviewed by management and ratified by the Audit and Governance Committee.

Actions remaining to be implemented



Actions due for implementation implemented (11) - progress update



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 limited level of confidence on service delivery arrangements, management of risks, and operation of controls and/or performance.

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.

Advisory

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.

| Identified action | Progress against the action |
|--|--|
| 1. Embed fully the new performance management framework* | Complete – reports are now been taken through Policy and Performance Improvement Committee and Cabinet. |
| 2. Complete actions identified within the VFM self-assessment* | None actually identified – this was the Mazars VFM toolkit that they used to assess VFM |
| 3. Internal Audit progress reports to be tabled at SLT meetings from July 2021 | These are now being taken through SLT |
| 4. Review project management toolkit to ensure this includes a section on how to undertake an options appraisal* | This has recently been completed by the Transformation Business Manager |
| 5. Review of Financial Procedure Rules to allow for the transfer of budget by Directors, within their directorate area, up to a cumulative limit of £50,000 in conjunction with the wider review of Governance | This has now been completed and updated within Financial Procedure Rules as part of the review of the system of Governance |
| 6. Development of Asset Management Strategy to supplement the Capital Strategy | This is yet to be completed. This will be taken to Cabinet in July for approval. |
| 7. Develop a Workforce Planning Strategy which meets the needs of the organisation, supports the delivery of the Community Plan and which represents value for money* | This has been completed. |
| 8. Further work needed to align budget monitoring reporting to service performance management reporting. | This has been completed. Reporting to Cabinet will be aligned on both topics. |
| * Actions relating to the areas of AMBER assurance rating | |

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Head of Internal Audit Annual Opinion

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).