Internal Audit

Progress Report

Newark and Sherwood District Council – June 2018

Assurance
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NEWARK &
SHERWOOD
DISTRICT COUNCIL

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Introduction

The purpose of this report is to:

Provide details of the audit work during the period April 2018 to June 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 4 audits:

- 3 to final assurance reports
- 1 other reports - Consultancy

Assurances

The following audit work has been completed and a final report issued:

- Procurement – Substantial
- Health and Safety - Substantial
- Business Continuity - Limited

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.

0
HIGH ASSURANCE

2
SUBSTANTIAL ASSURANCE

1
LIMITED ASSURANCE

0
LOW ASSURANCE
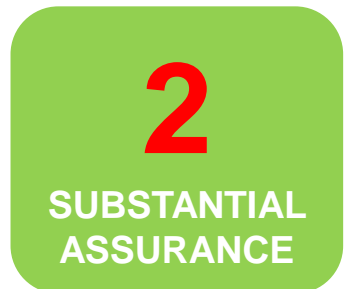
Substantial Assurance

Procurement

Following up on last year's findings found that procurement procedures had been followed in the main.

There were a couple of documents missing from the system and once questioned with the contract manager the documents were produced. It would be good practise to have all related documentation held on the ProContract Due North system.

While it was noted that the procurement of consultants for large contracts had followed the Contract Procedure Rules, we were unable to confirm the same for contracts agreed that had been exempt. The exemption process requires strengthening to ensure that the Council remains compliant and transparent in its procurement activity.

It was noted that the current Contract Procedure Rules that form part of the Constitution had not been updated with the new January 2018 EU Thresholds. We did evidence emails sent to all managers informing them of the new EU Thresholds limits.

On reviewing the Contract Procedure Rules, we identified that Internal Audit form part of the procedures for exemptions. Now that the Internal Audit function is provided by an external company, the Council should revise its policy to remove Internal Audit from the procedures.

Health and Safety

We have provided substantial assurance on the arrangements as most aspects are managed well. However, it is borderline limited as we identified several areas where significant improvements are necessary to strengthen safe working environments.

CMT have an active role in Health and Safety through the review of policies, inclusion of health and safety matters within their staff briefings and considering concerns referred to them by the Performance team from their work on the assurance framework. This could be improved by ensuring conformance with the 6 monthly review meetings between the Directors and the Business Managers and also ensuring a designated Committee reviews and approves the Health and Safety Policy before adoption by the full Council.

There is a qualified competent person with the knowledge and expertise in place who provides support and advise. There is also an established Risk Management Group in place and dialogue with the partners sharing the office space. We felt that this could be improved by reviewing the resources allocated for the corporate health and safety function ensuring it is adequate to support the in-house arrangement and fulfil it's Service Level Agreements.

Substantial Assurance

Health and Safety (Continued)

An Inspection regime is in place and a review of the fire safety arrangements was undertaken following the Grenfell Tower incident. This could be improved to ensure that all Council's operational office buildings' fire call points are regularly tested and a clear record of the tests kept .

The risk assessments could be improved to ensure that they are regularly reviewed to identify new risks and ensure implementation of appropriate control measures to reduce the risk.
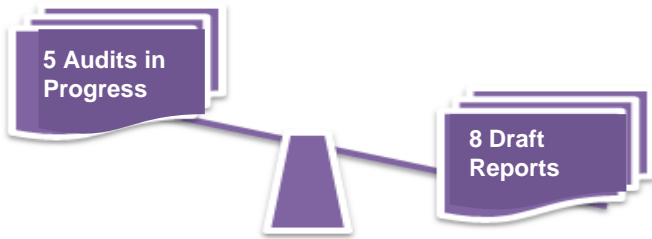
There are some improvements required for all staff including completing the DSE assessments and the provision and attendance at training sessions.

Limited Assurance

Business Continuity

Overall we found that most of the actions included in the Business Continuity review from 2016/17 are being progressed and therefore the RAG rating has improved. The original audit report gave RAG ratings to each area reviewed and these are shown in the table 1 below. There has been some decline in risk 4 due to the current vacancy within the Team and as the revised plan is still in draft managers have not yet been engaged in implementing it. The majority of the Amber rated actions should move to Green once the Business Continuity Plan (BCP) is approved and adopted. Because it has not been approved, at the time of writing, we are unable to give more than Limited Assurance.

The ICT Business Continuity Planning (BCP) was not part of the scope of the original audit and as such was not followed up here. ICT BCP will be the subject of a separate audit review.

5 Audits in Progress

8 Draft Reports

Audits reports at draft

We have 8 audit's at draft report stage:

- Corporate Governance
- Risk Management
- Contract Management
- Active4Today Creditors
- Corporate Policy
- Key Controls
- ICT – Meritec System
- S106 Agreements

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

Work in Progress

We also have 5 audits in progress :

- Council Offices Gateway review
- CCTV
- Economic Development
- ICT Cyber Security
- HRA Self Financing Business Plan

Details of these can be seen in the 2018/19 plan at appendix 4.

Audits planned for quarter 2 include:

- Emergency Planning
- Environmental Protection
- NSDC Companies
- Creditors
- Development Company
- Brexit
- IR35
- Follow-ups
- Gilstrap

Other Work Completed

We have completed the review of the Mansfield Crematorium Accounts. There was one significant issue which was resolved and the accounts amended.

Other Matters of Interest

Items of legislation, guidance etc which are relevant to the Role of the Audit Committee.

Lincolnshire Audit Committee Forum

The Lincolnshire Audit Committee Forum is a networking group which enables the sharing of good practice, emerging governance and risk issues and hot topics for public sector audit committees. It is designed to help and support the effectiveness of audit committees.

This is good opportunity to meet up with members of audit committees countywide and we plan to host an all-day forum event on 16th October 2018. This forum day is open to all members of public sector Audit Committees.

CIPFA Publication – Audit Committees – A Practical Guide for Local Authorities and Police (2018 Edition)

This publication sets out CIPFA's guidance on the function and operation of audit committees and represents good practice for audit committees in local authorities throughout the UK.

It emphasises the importance of audit committees and recognises the key part they play in governance. The publication covers:

- Core functions
- Possible wider functions
- Independence and accountability
- Membership and effectiveness
- Suggested terms of reference
- Audit committee members – knowledge and skills framework

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.

Business Continuity

Limited Assurance

Risk	Rating (R-A-G)	Actions Direction of travel
Risk 1: Management arrangements for Business Continuity Management (BCM) are not effective	Amber	⬆
Risk 2: Staff don't have the necessary skills/experience for BCM	Amber	⬌
Risk 3: BCM is not effective in meeting the needs of the Council	Amber	⬆
Risk 4: There is ineffective engagement in respect of BCM and the BCP	Amber	⬇

Background and Context

Business Continuity Management (BCM) is a process that identifies potential threats to an organisation and the impacts to operations those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability of an effective response that safeguards the interests of its key stakeholders.

A piece of consultancy work was completed in March 2017 which raised some concerns over the Business Continuity arrangements in place. An Action plan was drawn up and Committee were asked to authorise the addition of another audit to carry out an assurance review following up the Action Plan and ensure that sufficient progress has been made and the arrangements going forward look sound.

Scope

To review the Action Plan as produced during the consultancy assignment, review what progress has been made and plans going forward.

Executive Summary

Overall we found that most of the actions included in the Business Continuity review from 2016/17 are being progressed and therefore the RAG rating has improved. The original audit report gave RAG ratings to each area reviewed and these are shown in the table 1 below. There has been some decline in risk 4 due to the current vacancy within the Team and as the revised plan is still in draft managers have not yet been engaged in implementing it. The majority of the Amber rated actions should move to Green once the Business Continuity Plan (BCP) is approved and adopted. Because it has not been approved, at the time of writing, we are unable to give more than Limited Assurance.

The ICT Business Continuity Planning (BCP) was not part of the scope of the original audit and as such was not followed up here. ICT BCP will be the subject of a separate audit review.

Executive Summary

The original report also highlight six key areas for improvement. These are shown in italics below followed by a brief commentary on the current situation for each:-

- *Introduction of a BCM Policy*
  A Draft BCP has been written and is awaiting approval and adoption by the Corporate Management Team (CMT).

- *Formation of BCM working group*
  The draft BCP proposes that this role is performed by the Emergency Management Team.

- *Completing a Business Impact Assessment (BIA)*
  The draft BCP proposes that BIAs will be started when the plan is approved.

- *Review and updating of BCP*
  Reviewing and keeping the BCP up to date and relevant will be recommended to CMT along with the draft BCP.

- *Embedding BCM into 'business as usual' and relevant agendas*
  It is proposed that BCP will become part of all staff appraisals in future.

- *Raising staff awareness through CMT blogs, training and testing of BCP*
  Awareness training will commence when the plan is approved.

Management Response

I have been encouraged that the direction of travel with regards to Business Continuity is generally an improving one, especially if you consider that since the original audit in March 2017 we have had to go through two recruitment exercises into the key post of Emergency Planning Officer. This disruption has been managed by the organisation during a period of significant change as we have relocated in to Castle House from Kelham Hall. The next key action is to present the Business Continuity Plan to CMT for approval so that the tasks which feed off that approval and require such a plan can then be actioned. I am confident that introducing business continuity onto the CMT agenda as an item for periodic discussion will be achieved as it clearly complements other key corporate activity around risk management and resilience.

Ben Adams
Business Manager – Community Safety

Audit Area	Date	Assurance	No.of Agreed Recs	Implemented /Closed	Overdue		Revised Implementation Date	Not Due
					H	M		
Community								
Car Parks	Feb-18	Substantial	8	6	0	2		0
Customers								
Partnerships - Active4Today	Apr-17	Substantial	5	1	0	4		0
ICT								
Operations - Starters, Leavers and Movers	Feb-18	Limited	10	9	0	0	Extended to 30/04/18 Extended to 30/09/18	1
ICT - Database	Aug-17	Substantial	6	3	0	0	31/07/17 revised to 31/12/17, high risk revised to 30/11/17. 5 Medium extd to 30/09/18	3
ICT _Applications CIVICA	Jun'17	Substantial	8	5	0	0	1 revised to 31/03/18 again to 30/06/18. 2 revised to 30/06/18 and 1 again to 30/09/18. 1 revised to 31/07/18.	3
Resources								
Housing and Council Tax Benefits	Oct-17	High	2	0	0	2		0
Contract Management	Jun'15	Some Imp. Needed	11	10	0	1	1 x 30/11/15 revised to 31/03/16 revised to 31/12/16 & 1 x 31/08/15 revised to 29/02/16 revised to 31/12/16, 1 revised again to 31/12/17	0
Income/Banking	Feb-18	Substantial	6	4	0	0		2
Key Controls	Sep-17	Substantial	5	3	0	0	Extended to 30/09/18	2
Estates Management	Dec-17	Limited / Substantial	7	5	1	1		0
Safety								
Performance Management	Feb-18	Limited / Substantial	13	7	0	0	Extended to 30/08/18	6
Total			**81**	**53**	**1**	**10**		**17**

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		Fieldwork
S106 Funding	There are effective processes in place for the receipt and spending of S106 monies.	May-18	May-18		Draft Report
Emergency Planning	Arrangements are in place which enable the Council to effectively manage an emergency planning situation.	Jun-18			Awaiting completion of other audit before starting.
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		Fieldwork
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		Terms of Reference
Newark Cattlemarket	Completion of the rent calculation for 2016/17	Jun-18			Contacted KW
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			
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			Meeting arranged
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			
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			
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	Aug-18			
NSDC Companies	Review of the Governance and processes in place for the Council's wholly owned companies.	Sep-18			
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			
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			
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			
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			
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			
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	Nov-18			
Street Cleansing	An efficient and effective service is in place which ensures that streets are maintained at the level of cleanliness expected.	Dec-18			
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			
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			
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			
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			
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			
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			