



Internal Audit

Draft

Newark & Sherwood District Council

Summary Internal Controls Assurance (SICA) Report

2023/24

November 2023

Summary Internal Controls Assurance

Introduction

1. This summary controls assurance report provides the Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Newark and Sherwood District Council as at 13/11/2023.

Future of Internal Audit (IA)- Digital drivers

Use of Data analytics by TIAA

2. TIAA is always adopting new ways of working and methodologies including innovative approaches for delivering internal audits. This is part of our continuous improvement programme which facilitates improvements in efficiency, effectiveness, and the quality of the work we deliver. We currently use data analytics as part of our work in relevant areas to test against full data sets, spot hidden risks, to target our testing and to provide ‘proof in total’ assurance; this adds credibility and value to the reports we produce. Data Analytics helps us to analyse large volumes of data to identify trends, patterns, and anomalies that may indicate potential risks or opportunities for improvement.

How will Artificial Intelligence (AI) enhance the delivery Internal Audit of the future?

3. We believe that the way internal audits are delivered will change significantly in the next 3 to 5 years through the use of AI, through the use of auditing tools which contribute towards a process of continuous audit assurance, a wider use of predictive analytics to allow auditors to provide reports that are far more forward looking, and robotic process automation which will help remove much of the manual data collection work, thereby allowing Internal Audit more time to provide value-added analysis. Another branch of AI, Natural Language Processing (NLP), has the potential of also enabling auditors to analyse text in a large number of documents.
4. In addition to the use of Data Analytics, TIAA is actively exploring, as part of our vision for the future, the use of AI, automation and other digital tools to streamline the audit process, inform planning, reduce manual effort, and enhance the quality of audit results. Automated data collection and analysis will help reduce the time required to complete audits and improve the accuracy and consistency of audit results. Innovative ways of using and integrating artificial Intelligence in the delivery of audits in response to the exponential growth in data, and how it is analysed and used in the context of Internal Audit, is part of TIAA’s innovation strategy. We will also as part of our strategy be investigating more opportunities to not only use AI, but also to develop the capabilities to audit AI and the associated ethical considerations.

Audits completed since the last SICA report to the Audit Committee

5. The table below sets out details of audits finalised since the previous meeting of the Audit Committee.

Audits completed since previous SICA report

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Key Control Testing	Reasonable Assurance	31/08/2023	9/11/2023		0	4	7	1

Payroll	Reasonable Assurance	02/11/2023	13/11/2023	18/11/2023	0	2	0	0
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- The Executive Summaries and the Management Action Plans for each of the finalised reviews are included at Appendix A. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

Progress against the 2023/24 Annual Plan

- Our progress against the Annual Plan for 2023/24 is set out in Appendix B.

Progress in actioning priority 1 & 2 recommendations

- We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA. Progress in actioning priority 1 and 2 audits will be reviewed at the next audit committee.
- Frauds/Irregularities**
- We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

Responsibility/Disclaimer







- This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Executive Summaries and Management Action Plans

The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are available to the Audit Committee on request. Where a review has a 'Limited' or 'No' Assurance assessment the full report has been presented to the Audit Committee and therefore is not included in this Appendix.

Review	Evaluation
Assurance Review of Key Control Testing	Reasonable
Payroll	Reasonable

Assurance Review of Key Control Testing

<p>OVERALL ASSESSMENT</p>	<p>KEY STRATEGIC FINDINGS</p>								
 <p>The diagram shows a central yellow circle labeled 'REASONABLE ASSURANCE' surrounded by a blue ring with the text 'Adequate & effective governance, risk and control processes'. To the right is a legend with four colored circles: green for 'SUBSTANTIAL ASSURANCE', yellow for 'REASONABLE ASSURANCE', orange for 'LIMITED ASSURANCE', and red for 'NO ASSURANCE'.</p>	<ul style="list-style-type: none">  Sample testing of sales ledger transactions identified lack of procedural documentation or consistent expectation and underlying instances of delays in raising invoices, inadequate descriptions and an unauthorised credit note.  Sample testing of debtor accounts identified instances where action to recover debts was delayed.  Sample testing of purchase ledger payments identified a lack of consistent use of purchase orders and an increased use of retrospective purchase orders. 								
<p>ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE</p>	<p>GOOD PRACTICE IDENTIFIED</p>								
<p>Ensuring financial stability of the general fund to allow the council to undertake its core functions, delivers services, meet its core objectives and priorities.</p> <p>(SR301 Financial Sustainability - General Fund)</p>	<ul style="list-style-type: none">  There is segregation of duties within the Creditors, and Income processes and resilience within all the teams.  Access rights to the finance system are controlled and align with job roles. 								
<p>SCOPE</p>	<p>ACTION POINTS</p>								
<p>Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment over Creditors, Income, and Debtors.</p>	<table border="1"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>4</td> <td>7</td> <td>1</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	4	7	1
Urgent	Important	Routine	Operational						
0	4	7	1						

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	<p>There is no schedule or timetable of key financial tasks such as reconciliations, payment runs, month-end close-down etc. which sets out responsible officers, deadlines and whether completed for each month.</p> <p>Sample compliance testing of control account reconciliations identified delays in completion.</p>	To develop a control schedule to record and monitor the completion of key month-end financial tasks.	2	<i>A schedule will be created of all key items as suggested</i>	30/09/23	Transactional Finance Manager
3	Directed	<p>There is a lack of up-to-date, comprehensive guidance in the form of policies and procedures. There are no policy or procedures supporting the creditors or income functions and the Corporate Income Debt Recovery Policy and Procedures are dated 2020/21 and are in draft.</p> <p>In addition, whilst the draft document includes processes, responsibilities in line with the Financial Regulations, and a debt recovery process flow-chart, the invoicing process has changed, it doesn't refer to the pro-forma invoice request form, and KPIs are not included.</p>	To ensure there are policies and procedures providing guidance, setting expectations and supporting the creditors, debtors and income functions.	2	<i>The Corporate income policy will be reviewed and finalised.</i>	31/03/24	Business Manager – Financial Services

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
8	Directed	<p>A sample of ten sales invoices and five credit notes was tested and non-compliance was identified:</p> <ul style="list-style-type: none"> • There were two instances of a delay in raising the invoice. One invoice for £1,657.50 was raised two months late and only actioned after a reminder to the requesting department from the Corporate Income Team Leader and another invoice for £44,095.33, raised by the Admin team took seven working days to be processed. • One credit note request for £73.20 was not approved by a delegated officer. • There was a lack of segregation of duties for one invoice (£166k) raised by the Infrastructure and S106 Officer within the Planning Policy department. • The description was not sufficiently detailed or clear in four instances. For example, the debtor's reference had not been included, the words "payment for" were used instead of "charge for". 	<p>To review the need for officers outside of the Corporate Income team to raise invoices or whether all invoices should be raised from one central point.</p> <p>Once responsibilities are agreed, to ensure that there is appropriate segregation of duties and adequate training in the process covering invoice descriptions and credit note authorisation.</p>	2	<p><i>An email will be sent to all business managers reminding them of the need to raise invoices in a timely period and in accordance with the corporate income policy.</i></p> <p><i>Invoice raising will no longer be carried out outside of the corporate income or admin teams. This will then ensure a separation of duties and a consistent approach to invoice descriptions.</i></p>	30/09/23	Business Manager – Financial Services

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
9	Directed	<p>A sample of five debtor accounts were tested. It was identified that:</p> <ul style="list-style-type: none"> In two instances, there was no movement on the debt, no record of any action been taken in the last four months and two months, and there was no update from the Legal department, who are responsible for the next stage. It was advised that some legal services have since been outsourced to alleviate pressure. In two instances, debt recovery was undertaken by the Planning Policy Department or the Repairs Department - there is a risk of inconsistent practices and lack of oversight. 	Debt recovery activity to be reviewed to ensure that training and resources are appropriate to ensure efficient and timely debt collection.	2	<i>The finalisation of the Corporate Income Policy will ensure that all action taken against customers will be consistent. Discussions (via email) will take place with Business Managers to ensure any action taken follows the policy.</i>	31/03/24	Business Manager – Financial Services
1	Directed	The Financial Regulations document on the Council's website is dated February 2018 with a review date of February 2020 which is overdue. Whilst the FRs are generally in line with the Council's Constitution dated May 2022, there are some references to committees or groups which need to be updated.	To review and update the Financial Regulations and upload to the website.	3	<i>The current version of the Financial Regulations were updated in May 2022 and have a revision date of May 2024. These are located elsewhere within the Constitution page on the website. The location mentioned in the finding will be replaced with the most up to date version.</i>	30/09/23	Business Manager Financial Services

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Directed	<p>A formal bank reconciliation is carried out by the Income Officer and reviewed by the Transactional Finance Manager after each month-end. However, review of the summary bank reconciliation schedule for May 2023 and June 2023 identified that the June 2023 reconciliation wasn't signed by the reviewer.</p> <p>Furthermore, review of four reconciliations (for May 2023 and June 2023 for the General Account and the Payments Account) identified two reconciliations where the month of the reconciliation was incorrectly stated, and reconciling items were referred to as occurring in "December" in error.</p>	<p>To ensure that bank reconciliations are checked for accuracy and signed off by the reviewer at the time of the review.</p>	3	<p><i>Checks will be carried out each month to ensure the data recorded is accurate and the document signed before finalising</i></p>	30/09/23	Transactional Finance Manager
5	Directed	<p>There is no approved list of goods / services which can be procured without a PO. Testing identified that 16% of all payments in the first four months of the year were not supported by a PO. Sample testing identified that five out of ten payments made were for goods / services where a PO should have been raised prior to committing to the expenditure.</p> <p>Furthermore, there are no formal, regular checks of the appropriateness of non-PO payments.</p>	<p>Provide guidance to all budget holders on non-PO payments which includes;</p> <ul style="list-style-type: none"> • The goods / services which are exempt from POs. • Responsibility for reporting and monitoring of non-PO payments and retrospective orders. • Escalation process where there is non-compliance with the process. 	3	<p><i>Full review of the PO process will be carried out and an exempt goods/services list drawn up and shared with relevant business managers.</i></p> <p><i>A 'no PO no payment' policy will be prepared and adopted to ensure correct processes are carried out in all cases</i></p>	31/12/23	Transactional Finance Manager / Business Manager – Financial Services

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Directed	<p>Testing of a sample of ten payments identified five out of ten invoices (for a total of over £93k) which should have had a purchase order (PO) prior to obtaining the goods / services but did not. Four of these were supported by retrospective POs raised after the invoice date.</p> <p>In two of these instances, a lack of an appropriate PO resulted in a delay in payment of the invoice and the target of 30 days was missed (one was paid 67 days after the invoice date and the other was paid 49 days after).</p>	Budget holders to be reminded that an approved purchase order is required prior to obtaining goods / services.	3	<p><i>A 'no PO no payment' policy will be prepared and adopted to ensure correct processes are carried out in all cases.</i></p> <p><i>Communications will be sent to business managers reminding them that (with a few exemptions) all goods and/or services procured must follow the prior PO process and not raised retrospectively.</i></p>	31/12/23	<p><i>Transactional Finance Manager / Business Manager – Financial Services</i></p>
7	Directed	<p>The "Authorisation Limits" schedule was dated 2018 and there were a number of changes to the document.</p> <p>It was also noted that three officers had no upper financial limit (the Chief Executive, the Director of Resources and Deputy Chief Executive and S151 Officer, the Business Manager - Financial Services).</p>	<p>The "Authorisation Limits" schedule to be reviewed and updated.</p> <p>An upper financial limit to be applied to all officers and a two-signatory authorisation introduced for any amounts over the highest limit.</p>	3	<p><i>A review of all authorisation limits will be carried out and limits amended appropriately.</i></p>	31/12/23	<p><i>Business Manager – Financial Services</i></p>
10	Directed	A sample of five debtor accounts were tested. It was identified that for one debt of over £167k being managed by the Planning Policy S106 Officer, the terms of the Affordable Housing Contribution payment may have been unclear to the debtor.	To investigate the circumstances of the Affordable Housing Contribution debt and apply any lessons learned to future processes and activity in this area.	3	<p><i>AHC debt to be investigated and actions taken as appropriate</i></p>	31/10/23	<p><i>Infrastructure & S106 officer / Transactional Finance Manager</i></p>

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
11	Directed	<p>Review of the May and June sales ledger control account reconciliations for the sundry debtors account identified that there was a delay in completing the reconciliations. They were both completed (and authorised) on 28th July 2023.</p> <p>It is noted that responsibility for this task is to be re-assigned to the Corporate Income Team Leader.</p>	<p>To provide the Corporate Income Team Leader appropriate training to ensure that the sales ledger control account reconciliations are carried out effectively and on a timely basis.</p> <p>See also recommendation 2.</p>	3	<p><i>Relevant officers will be trained, and processes amended to ensure reconciliations are carried out in a timely manner</i></p>	30/09/23	<p><i>Transactional Finance Manager</i></p>

Payroll

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR305 Workforce Ensuring the council is able to recruit, maintain and retain appropriate staffing resource to ensure it is able to deliver its services and meet its corporate objectives.

SCOPE

To provide assurance on the effectiveness of the security arrangements, and the operation for the new iTrent HR/Payroll system.

KEY STRATEGIC FINDINGS



There were 5 instances where payroll were not notified of the worker until the day they started.

There were three instances in the sample where no confirmatory evidence from the HR function of a new starter requiring addition was maintained by the payroll department. This is important to prevent “ghost employees”.



No evidence was provided to audit of an audit log/approval for changes within the iTrent system used by the payroll team. Management provided verbal assurance that this was available.

GOOD PRACTICE IDENTIFIED



Procedures in place and well written, full hierarchy within the payroll team evidenced and step by step processes.

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	0	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>Within the sample of 10 for new starters on the database there were 5 instances where payroll were not notified of the worker until the day they started, additionally there were 3 instances where payroll were unable to provide evidence that they were notified of the new starter, the other 7 selections all had an email sent to payroll notifying them of a new stater.</p> <p>When reviewing the 10 selected new starter forms there was no evidence of who completed or approved the form before it being passed over to payroll.</p>	<p>Management to introduce a section within the starter form indicating who approved the form and on what date. This would allow Newark and Sherwood council to see who is responsible for completing a starter form should any queries arise.</p>	2			

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

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Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Key Control Testing	2	Final	Audit report issued
Payroll	3	Final	Audit report issued
Grant Fund Spend and Administration	2	Draft report issued awaiting responses	
Contractual relationship with active 4 Today	2	Draft report issued awaiting responses	
Financial Resilience	2	APM issued and start date agreed (Nov)	
Housing Regulatory Compliance	2	APM issued (awaiting confirmation of start date)	
Housing Voids	3	APM issued (awaiting confirmation of start date)	
Complaints Process	3	APM issued (awaiting confirmation of start date)	
Delivery of Corporate Projects	TBC	APM issued	
Workforce Planning	TBC	APM issued (awaiting confirmation of start date)	
Treasury Management	4	APM issued (awaiting confirmation of start date)	
ICT assurance cyber security/ incident management	4	APM issued and start date agreed	

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

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Assurance Framework	4	APM issued (awaiting confirmation of start date)	
Mansfield Crematorium	4	Early Jan	
Gilstrap	4	Early Jan	

KEY:

	To be commenced		Site work commenced		Draft report issued		Final report issued
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PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
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2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
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3	ROUTINE	Control issue on which action should be taken.
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