



Newark and Sherwood District Council

Indicative Audit Strategy 2024/27 and Annual Plan 2024/25

January 2024

Draft

# Executive Summary

## Introduction

The Audit Plan for 2024/25 has been informed by a risk assessment carried out across our clients in the sector and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks. This coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

## Key Risk Considerations

We have identified a number of key areas which require consideration when planning internal audit coverage.

**Financial Management:** Five local authorities since 2021 have declared themselves effectively bankrupt, with a number warning they may have to do the same. The LGA has identified a funding gap of three billion pounds over the next two years. This raises the importance of maintaining adequate financial controls.

**Gap in Funding for Core Services:** There is a risk that inflationary pressures and adverse financial circumstances might lead to a gap in funding to local councils and on key service pressures such as on the provision of social care, children's services, and homelessness.

**Housing:** Local authorities are struggling to build affordable housing that is needed. The number of social housing tenants in England complaining of damp and leaks is on course to more than double in the two years since a child died after living in a rented flat with chronic mould. And complaints handling related to maintenance is a continuing concern.

**Project Management:** Implementing collaboration between Councils, local authorities and other partners continues to be a significant challenge, Birmingham Council reported a £100 million hole in the EPR upgrade. As well as adding to financial pressures, project failure can impact services or residents lives and result in significant reputational damage.

## Audit Strategy Methodology

In producing this audit strategy and annual plan, we have sought to build on our understanding of Council's operating environment and risk profile through a review of key documentation and discussions with key staff. We have taken into account:

- Council's business strategy and corporate objectives
- The regulatory and legislative framework
- Council's risk register
- External Audit recommendations
- Previous Internal Audit coverage

We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately prioritised and focused. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Our approach complies with the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and the Public Sector Internal Audit Standards (PSIAS).

## Internal Audit Strategy and Plan

The Audit Strategy at Appendix A incorporates the proposed annual plan for 2024/25 and the indicative coverage for the following two years.

The Annual Plan at Appendix B sets out the assignments that will be carried out in 2024/25, the planned times and the high-level scopes for each of these assignments.

The Annual Plan will be subject to ongoing review and could change as the risks change for the Council; this will be formally reviewed with senior management and the Audit Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and Council. This number of days is fixed and it is TIAA’s responsibility to deliver the Audit Plan for this number of days. Where COUNCIL agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Chief Finance Officer/s and will be clearly set out in the terms of reference for the additional review(s).

**Adequacy of the planned audit coverage**

The reviews identified in the audit plan for 2024/25 support the Head of Internal Audit’s annual opinion on the overall adequacy and effectiveness of Council’s framework of governance, risk management and control as required by TIAA’s charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

**Disclaimer**

This document 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.

No responsibility to any third party is accepted as the document 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 document and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our document.

**Release of Report**

The table below sets out the history of this plan.

<b>Draft Strategy and Plan:</b>	2024
<b>Final Strategy and Plan:</b>	

## Appendix A: Rolling Strategic Plan

Review Area	Review Area	BAF/Risk Ref	Type	2024/25	2025/26	2026/27
<b>Governance</b>						
Performance Management			Assurance	✓		
Community Engagement			Assurance			✓
Joint Working Arrangements			Assurance			✓
<b>Risk</b>						
Risk Management Framework	Core		Assurance	✓		
Business Continuity			Assurance	✓		✓
<b>ICT</b>						
Cyber Security Maturity Assessment			Assurance		✓	
ICT – Support for New Projects			Assurance			✓
<b>Finance</b>						
Financial Resilience	Core		Assurance	✓	✓	✓
Key Financial Controls	Core		Assurance		✓	✓
Procurement			Assurance	✓		
Budgetary Control (Key Control Audit)			Assurance	✓		
Gilstrap			Assurance	✓	✓	✓
Mansfield Crematorium			Assurance	✓	✓	✓
Capital Programme			Assurance		✓	

Review Area	Review Area	BAF/Risk Ref	Type	2024/25	2025/26	2026/27
<b>Operational Performance and Infrastructure</b>						
Waste Management			Assurance	✓		
Grounds Maintenance and Cleansing Services			Assurance	✓		
<b>Workforce</b>						
Absence Management			Assurance	✓	✓	
Apprenticeships			Assurance	✓		
Agile Working			Assurance	✓		
Grievance Reporting and Management			Assurance			✓
Follow Up			Follow Up		✓	✓
<b>Added Value Audit Areas</b>						
Housing Regulatory Compliance and Building Safety	Added Value Benchmarking		Assurance	✓		
HRA H&S Mould			Assurance	✓		
Equality, Diversity, and Inclusivity	Added Value Benchmarking		Assurance	✓	✓	
<b>Management and Planning</b>						
Annual Planning			Management	✓	✓	✓
Annual Report			Management	✓	✓	✓
Audit Management			Management	✓	✓	✓
Total Days				245	245	245
<b>Example Advisory Services Available in Addition to the Plan</b>						

Review Area	Review Area	BAF/Risk Ref	Type	2024/25	2025/26	2026/27

## List of Advisory Reviews not included in the audit plan

Below is a list of reviews which are undertaken by our Specialists Staff and are available in addition to the plan.

Review	Indicative High Level Scope
Website Penetration Test	Web application penetration testing is the practice of simulating attacks on a system in an attempt to gain access to sensitive data, with the purpose of determining whether a system is secure. This is done in a safe and secure way with a report identifying weaknesses and remedial action.
Health and Safety Reviews	To provide assurance on a range of Health and Safety related topics to provide assurance and advice on compliance with statutory requirement and regulations.
Governance Effectiveness Reviews	The review will consider the Senior Managements effectiveness - including whether it has the structure, processes, people and performance to deliver. The review will also consider how they interact with stakeholders, and whether respective roles are clear.
Climate Change	Deep Dive into selected aspects of climate change using a qualified subject matter expert.

## Appendix B: Annual Plan – 2024/25

Quarter	Review	Type	Days	High-level Scope	Prog Ref	Review Type
<b>Core Reviews to support the Head of Internal Audit Opinion</b>						
1	Financial Resilience	Assurance	15	Confirm the realism and likely delivery success of identified saving within the current financial year and the Medium-Term Financial Plan.		IA
3	Budgetary Control (Key Control Audit)	Assurance	15	<p>Budgetary Control is a fundamental financial process. Key control objectives that will be considered as part of this audit include:</p> <ul style="list-style-type: none"> <li>Formally approved budgets are set each year, considering all relevant income and expenditure.</li> <li>The financial management system accurately reflects the agreed budgets.</li> <li>Budgets are allocated to individuals at an appropriate level, with monitoring responsibilities clearly outlined.</li> <li>All budget adjustments (including virements) are authorised.</li> <li>Budgets are adequately monitored and regularly reported, with reasonable variance levels being set which trigger action and explanation.</li> <li>Appropriate financial reserves are maintained in line with assessed risks.</li> </ul>		IA
2	Risk Management Framework	Assurance	10	Confirm the adequacy of identification of risks in relation to key objectives and realism and likely success of identified mitigation and associated actions.		IA
<b>Benchmarking Topic Reviews To Be Included in All Plans</b>						
3	Equality Diversity and Inclusion-Staff	Added Value Benchmarking	15	The review will provide assurance on the adequacy and effectiveness of the processes in place to ensure that staff work in an environment where they feel they belong, are treated equitably and without discrimination. This will also provide assurance on the compliance with policies, procedures and relevant legislation.		IA



Quarter	Review	Type	Days	High-level Scope	Prog Ref	Review Type
3	Housing Regulatory Compliance and Building Safety	Added Value Benchmarking	15	To give assurance that the Council has appropriate governance and oversight to ensure its housing stock is safe and secure for tenants e.g. mould & damp, gas safety and legionnaires.		IA
<b>Suggested other Topics</b>						
1	Business Continuity	Assurance	15	The audit will assess whether an effective continuous service process is in place to minimise the likelihood of service interruptions impacting upon key business functions and processes.		IA
1	Procurement	Assurance	15	Procurement systems underpin service delivery and need to be effective and to achieve value for money. To provide assurance on key areas of procurement risk, A review of the Councils strategies, policies and procedures for Procurement, including Procurement Strategy, Procurement Policy, Contract Standing Orders, Supporting procedures. A review of the governance arrangements in place in relation to procurement decision making and oversight, including Decision making on expenditure, Board oversight, Procurement Team support, A review of the resources and training in place to support Procurement projects.		IA
2	H&S Mould HRA	Assurance	20	<p>Following the Coroner's November 2022 report into the death of Awaab Ishak in Rochdale, the Regulator of Social Housing (RSH) asked all larger registered providers (inclusive of local authorities) of social housing to submit evidence about the extent of damp and mould in tenants' homes and their approach to tackling it.</p> <p>The Housing Secretary announced on 9 February 2023 that, social housing landlords will have to investigate and fix damp and mould in their properties within strict new time limits. The government has tabled amendments to the Social Housing (Regulation) Bill to introduce 'Awaab's Law', which will require landlords to fix reported health hazards within specified timeframes.</p> <p>The Department for Levelling Up, Housing and Communities said that under the new measures, landlords will be expected to keep clear records to improve transparency for tenants, The audit will seek to provide assurance over the processes involved in responding to issues raised and rectifying mould in Council properties.</p>		IA

Quarter	Review	Type	Days	High-level Scope	Prog Ref	Review Type
3	Performance Management	Assurance	15	The review will consider the way in which key performance data is collated to inform effective decision making, taking in to account the accuracy, integrity and consistency of data.		IA
3	Apprenticeships	Assurance	10	To provide assurance on the adequacy of internal control in relation to the management and administration of apprenticeships, with focus on appointment, take up, payments to training providers Levy funding, retention, governance and reporting.		IA
3	Agile Working	Assurance	15	The review will assess the arrangements in place to facilitate agile working, including: the technology used to support these arrangements; the efficient use of space; the availability of staff for key meetings and on-site requirements and how management has oversight of who will be where and when; and the arrangements to ensure continued productivity.		IA
	Gilstrap	Assurance	6	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.		IA
	Mansfield Crematorium	Assurance	6	Completion of the audit of the Mansfield Crematorium Accounts.		IA
3	Waste Management	Assurance	15	This review will consider Driver's hours/ Logbooks or Tachographs; Load management; Care of equipment; Parking; Reversing (banksman); Cleaning of equipment; Driver checks; Defect reporting; Understanding Fleet Compliance and processes; Spot checks conducted by Ops management, on: Logbook records, Daily checks, Gate checks, Street checks, Seat belts, Vehicle condition/cleanliness of cab.		IA
4	Grounds Maintenance & Cleansing Services	Assurance	15	The review will consider the arrangements in place to deliver the programme of planned grounds maintenance and cleansing services. Tbc		IA
1 – 4	Follow-up	Follow up	15	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the Housing Association are implementing recommendations, and providing reports to the Audit Committee.		
1	Annual Planning	Management	3	Assessing the Local Government's annual audit needs.		
4	Annual Report	Management	2	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.		

Quarter	Review	Type	Days	High-level Scope	Prog Ref	Review Type
1 – 4	Audit Management	Management	23	This time includes meeting client management, overseeing the audit plan, reporting and supporting the Audit Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).		
Total days			245			

# Internal Audit Charter

## The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within Newark and Sherwood District Council and defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit Committee.

## The Role of Internal Audit

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to Newark and Sherwood District Council's governing body (being the body with overall responsibility for the Council) on the adequacy and effectiveness of the risk management, control and governance processes.

## Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS and the IIA standards which are articulated in the International Professional Practices Framework (IPPF).

## Scope

All Newark and Sherwood District Council activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that Newark and Sherwood District Council management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions; however, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, Audit Committee or the nominated officer (being the post responsible for the day-to-day liaison with TIAA), provided such

reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

## Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of Newark and Sherwood District Council and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

## Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems; however, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day-to-day administrative purposes only, TIAA reports to a nominated officer within Newark and Sherwood District Council and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Audit Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with Newark and Sherwood District Council management.

## Conflict of Interest

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and internal policies, the PSIAS/IIA standards and Newark and Sherwood District Council's requirements.

## Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

## Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of Newark and Sherwood District Council and additional time will be required to carry out such testing. Newark and Sherwood District Council is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

#### Liaison with the External Auditor

We will liaise with Newark and Sherwood District Council's External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

#### Reporting

**Assignment Reports:** A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA's audit charter and PSIAS/IIA standards.

**Progress Reports:** Progress reports will be prepared for each Audit Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

**Follow-Up Reports:** We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

**Annual Report:** An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and PSIAS/IIA standards. The Annual Report will include a summary opinion of the effectiveness of Newark and Sherwood District Council's governance, risk management and operational control processes based on the work completed during the year.

**Other Briefings:** During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the Council abreast of in-year developments which may impact on the governance, risk and control assurance framework.

#### Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

#### Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

#### Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to

ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has ISO 9001:2015 accreditation.

#### Audit Committee Responsibility

It is the responsibility of the Newark and Sherwood District Council to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the Council.

By approving this document, the Audit Committee is also approving the Internal Audit Charter.

#### Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. 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. 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.

#### Performance Standards

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA's audit charter and PSIAS/IIA Standards.	100%

