

Internal Audit Progress Report



**Newark and Sherwood District
Council – January 2019**

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Lucy Pledge - Audit and Risk Manager (Head of Internal Audit)
lucy.pledge@lincolnshire.gov.uk

John Sketchley – Audit Team Leader
John.sketchley@lincolnshire.gov.uk

Amanda Hunt - Principal
Amanda.hunt@newark-sherwooddc.gov.uk

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

Introduction

The purpose of this report is to:

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

Key Messages

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

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

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

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

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

Innovation in training and development - for our work with Universities and Apprenticeships
Outstanding Team Public Sector - for our work on Governance - Culture and Ethics

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

0
HIGH
ASSURANCE

2
SUBSTANTIAL
ASSURANCE

0
LIMITED
ASSURANCE

0
LOW
ASSURANCE

Substantial Assurance

Creditors

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

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

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

Areas where some improvements are necessary include:-

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

Assurance

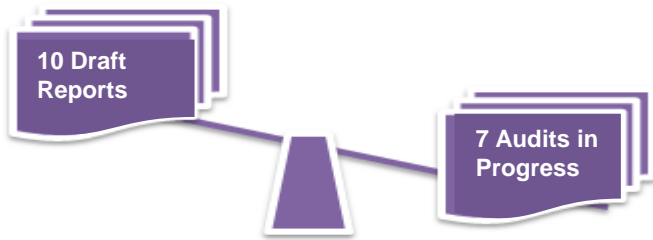
The current operational assurance processes are well managed and the assurance arrangements enable Business Managers to be accountable to the SLT.

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

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

Areas where some improvements are necessary include:-

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



Audits reports at draft

We have 10 audit's at draft report stage:

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

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

Work in Progress

We also have 7 audits in progress :

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

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

Audits planned for quarter 3 include:

- IT Infrastructure
- Counter Fraud
- Follow-ups

Other Work Completed

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

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





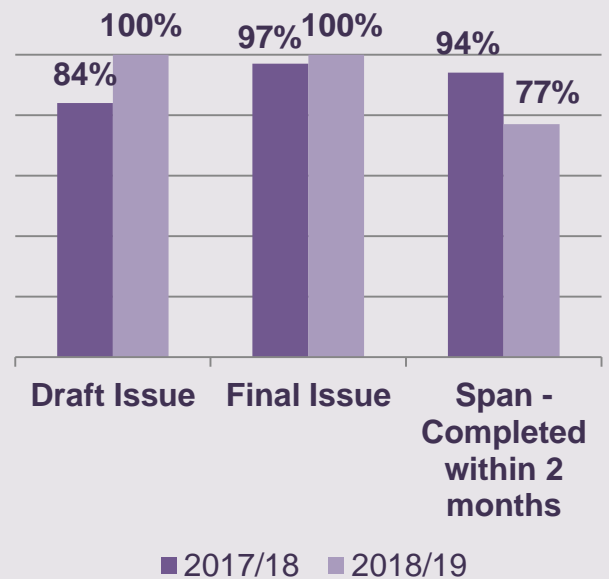
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

100%

Rated our service Good to Excellent

High Achievement of Key PI's to date



High

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

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

Substantial

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

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

Limited

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

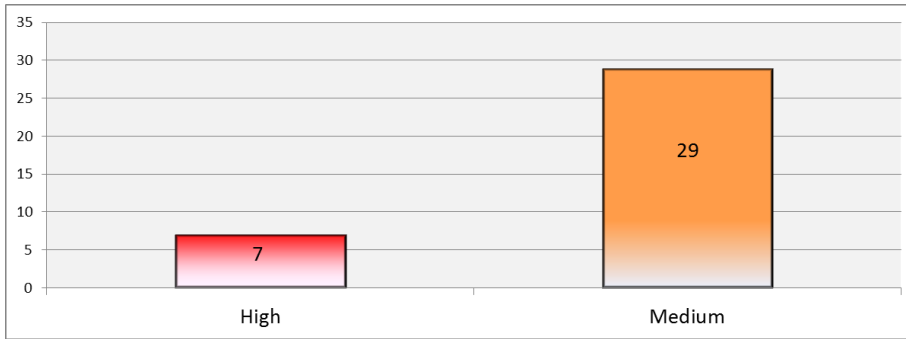
Low

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

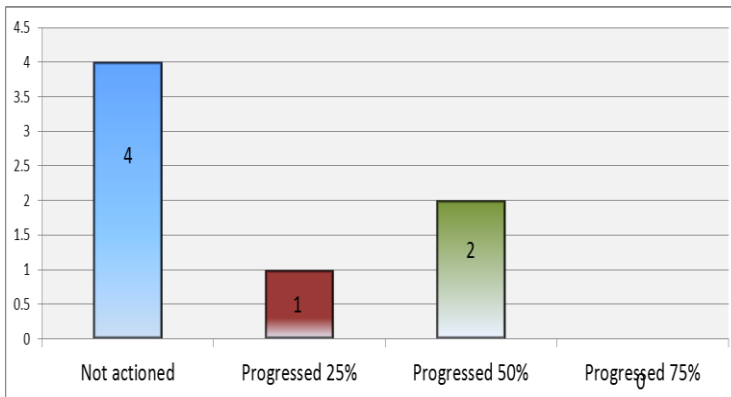
There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

Outstanding Audit Actions for all audits at 31 December 2018

All Actions remaining to be implemented

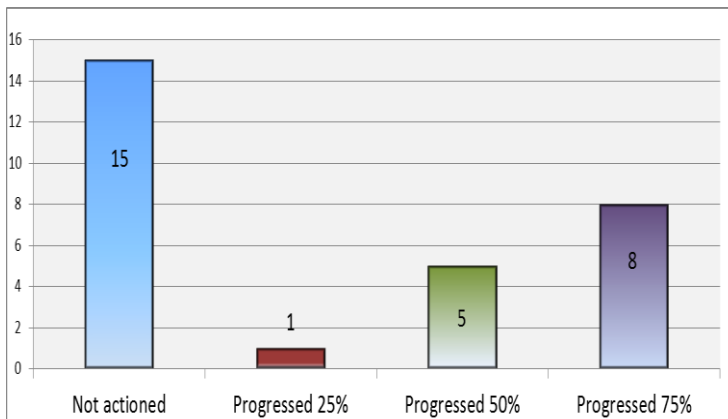


High Priority Actions remaining to be implemented

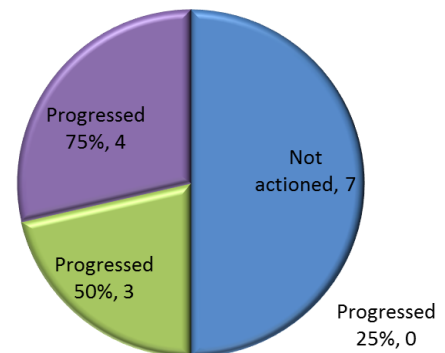


Medium Priority Actions remaining to be implemented

Overall



Overdue



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

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