

Internal Audit Progress Report



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

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2019/20 Audit Plan to Date

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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 2019 to 8 July 2019
Advise on progress with the 2019/20 plan and reports issued for 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 assurance audits*:-

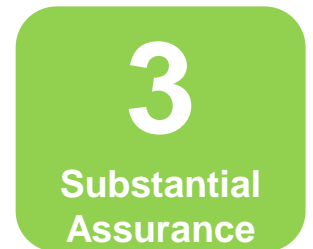
- Counter Fraud – 2018/19
- Development Company – 2018/19
- Emergency Planning – 2018/19
- Pay and Grading – 2019/20

We have also completed the review of the Mansfield Crematorium accounts and the Newark Livestock Market Rent calculation.

All remaining audits within the 2018/19 plan are at draft report stage.

The 2019/20 plan is underway with three jobs being completed and another at draft report stage. We have delayed two audits so far due to auditee capacity, one due to the completion of other audits and another due to a member of staff leaving the Council.

There are no recommendations to follow-up for 2019/20 and those from previous years are included within our Annual report.



*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.

Substantial Assurance

Counter Fraud

We are confident that the council understands its responsibility and that strategy and policies in place will protect public money. The council do not have dedicated resource in counter fraud which limits proactive activity. Fraud is generally hidden and controls alone will not eliminate all risk, therefore there will always be a degree of risk that some fraud is not picked up. Proactive actions to further raise the profile of Counter fraud and awareness within the council would help to further enhance this assurance level.

The Council acknowledges its responsibility for fraud and risk and has in place a structure to manage this effectively whilst accepting a level of risk. The core strategy highlights relevant policies and procedures that are in place, and available to be viewed for transparency and compliance. They understand their fraud risks and have in place updated frauds risks within their operational risk register which were completed with assistance from the Counter Fraud Team within Assurance Lincolnshire. This created lists of key actions / considerations and implementation of these will further strengthen the councils counter fraud position and minimise further fraud risks.

Counter fraud activities are reported to the Audit and Accounts committee on a bi annual basis to increase their visibility and accountability.

Development Company

The processes in place for setting up the company so far have been good. Appropriate authorisation has been obtained and the legal and governance documents have all been produced. There is a Shareholder Committee and Board of Directors in place and a client, company split demonstrating a level of independence.

The Company is not yet trading and there is still documentation such as the Business Plan to be produced.

There were a number of areas where the processes requiring strengthening:-

- Requirement for the risk management arrangements of the Company to be provided to the Council. The risk registers for the Company and Council also require some further work.
- Clarity over the taxation advice arrangements
- Including a statement on how audit and scrutiny is to be achieved and by whom.

Assurances

Emergency Planning

Our overall assurance rating for Emergency Planning, as it currently stands whilst evolving, is substantial borderline limited.

This rating means that we have assessed it to be substantial overall but it would only take a decline in development and progress to become limited. Whilst there are sufficient controls in place to manage an Emergency Planning incident, we feel that there are still some significant improvements to be made. We have received verbal assurance from the Business Manager Public Protection and the Emergency Planning Officer that this will happen over the next 12 months. Specific issues include:-

Planning

- The emergency control room plan requires a few additions before it can be categorised as complete including, break times and telephone guides.
- The flood plan needs an update however, we are confident that it can still be used effectively if a flood occurred tomorrow.
- There are some concerns that the Council would not be prepared for a lockdown at Castle House if it was necessary.

Testing

- There is no formal method of keeping track of recommendations and lessons learnt from testing.
- Those responsible for actions following an emergency are not held to account or asked for progress updates. As a result of this, recommendations from previous incidents are yet to be actioned.

Roles and responsibilities

- The level of training is adequate however, training needs to be set up for future managers.
- The Business Manager Public Protection and the Emergency Planning Officer capacity is stretched between Emergency Planning and Business Continuity making it difficult to progress quickly in one area.

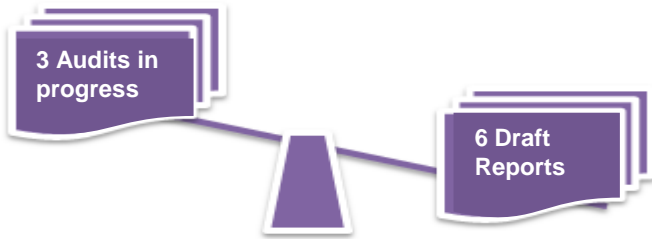
Governance

- The Business Manager Public Protection and the Emergency Planning officer do not present their progress or areas of development to SLT, meaning that they are not being regularly held to account.

High Assurance

Pay and Grading

The arrangement has been well implemented and the staff posts have been correctly assimilated to the new pay and grading structure. The implementation option selected ensured that the additional cost required for the arrangement were financially affordable to the Council whilst ensuring that the changes made were beneficial to the employees of the Council.



Audits reports at draft

We have 6 audit's at draft report stage:

- IT Governance
- Business Continuity
- Strategic Asset Management
- Follow-ups
- Customer Comments
- Project/Programme Management

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

Work in Progress

We also have 3 audits in progress :

- Financial strategy and modelling
- Community Centres
- Commercialisation

Details of these can be seen in the 2019/20 plan at appendix 2.

Other Work Completed

We have completed the review of the Mansfield Crematorium accounts and the Newark Livestock Market rent calculation.

Changes to the Plan

We have not made any changes to the plan this quarter although there are discussions underway which may require changes in the next quarter.



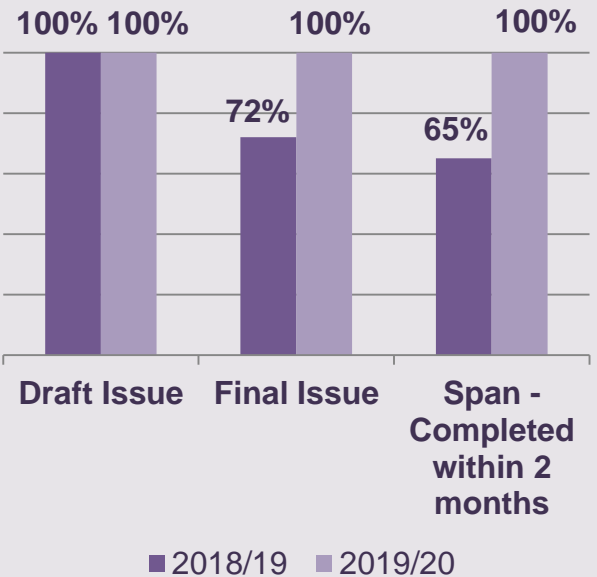


Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

Limited availability due to being the first quarter of the year.

0%





Other Matters of Interest

A summary of matters that will be of particular interest to Audit and Accounts Committee Members

CIPFA has issued fresh guidance on internal audit to help professionals cope with “growing levels of financial risk”.

The institute is calling on the public sector to provide recognition, support and encouragement for Heads of Internal Audit and their teams via five ‘key principles’, which align with the UK Public Sector Internal Audit Standards:

- HIAs should champion best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.
- HIAs should give an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee.
- Must lead and direct an internal audit service that is resourced to be fit for purpose.
- Must be professionally qualified and suitably experienced.

Assurance Lincolnshire wins another award

Assurance Lincolnshire won the "Good Governance and Risk Management" award at the Public Finance Awards 2019.

This was for the work on culture, value and ethics that we have worked on over the last year at Lincolnshire County Council. We beat teams from the Police, Northern Ireland Water, The NHS, Transport for London, and the Treasury.

Judges comments: "There was a lot of evidence of proactive planning and putting in place resilient processes to monitor and mitigate risk. We were impressed by the focus on ethics, acting in the public interest and sharing the work with other groups"

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.

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Commercialisation	There is a clear strategy and action plan in place covering the Council's commercial aspirations and this conforms with the relevant legislation.	Apr-19	Jul-19		Delayed awaiting completion of another audit in this area.
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium Accounts	Apr-19	Apr-19	Apr-19	Complete
Customer Comments	To review the process in place for the receipt of customer comments/complaints and provide assurance that these are dealt with in accordance with the Councils processes and used to inform future service improvements.	May-19	Apr-19		Draft report with SLT
Pay and grading	To review the process for implementing the revised pay and grading structure to provide assurance that it has been approved and implemented correctly.	May-19	Apr-19	Jun-19	High
Financial Strategy and Modelling	To review the financial strategy and provide assurance that it is accurate, compliant and assumptions are realistic, documented and tested. Appropriate approval has been obtained.	Jun-19	Jun-19		Fieldwork in progress
Community Centres	Review of the processes in place which ensure compliance with lease and occupiers liabilities providing the Council with assurance over their assets.	Jun-19	Jun-19		Fieldwork in progress
Building Control	There are effective monitoring arrangements in place which ensure that the residents of the district are getting the service expected and included within the agreement.	Jun-19			
Newark Cattlemarket	Completion of the rent calculation for 2018/19	Jun-19	Jun-19	Jun-19	Completed
Corporate Planning	To provide assurance that there is a corporate plan in place which clearly links to the priorities of the Council, activities completed by Business Units and how achievement of the priorities are measured - the golden thread.	Jul-19			
ICT Incident Management	To provide assurance that there is a consistent and effective approach to the management of incidents and cyber security events, including communication on security events and weaknesses.	Jul-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.	Aug-19			
Performance	To provide assurance that the performance process is effective and has a clear link with the Councils' corporate plan. To follow up the recommendations made within the previous report which received a Limited assurance rating.	Sep-19			
Buttermarket	To provide assurance that there is effective management of the Buttermarket to ensure that it meets the objectives of the Council.	Sep-19			
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	Sep-19			
Budgetary Control /Management	To provide assurance that the budgets are set in accordance with the financial strategy and Council priorities with accurate reporting and monitoring.	Oct-19			

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Procurement	To provide assurance over the new arrangements in place for procurement.	Oct-19			
ICT Patch Management and Change Control	To provide assurance that established organisational processes for patch management and change control are followed and that the systems upon which the Council relies are routinely and regularly checked for vulnerabilities with remedial actions being promptly taken where vulnerabilities are identified.	Oct-19			
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	Oct-19			
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-19			
Capital Programme	To provide assurance that the capital programme is appropriately approved, financed and reported.	Jan-20			
Newark Cattlemarket	The provide assurance that the arrangements in place for the management of the cattlemarket ensure that the income is collected in accordance with the lease and the terms of the lease are adhered to. The council ensures that the current use and lease supports it's priorities on regeneration for the town.	Jan-20			
Housing Options	To provide assurance that the homelessness service is meeting it's objectives and priorities and complies with legislation. The project for the provision of temporary accommodation is well managed and complies with Council processes.	Jan-20			
General Ledger/Financial reporting	To review the general ledger to provide assurance that transactions within it are accurate and agree with the feeder systems. Access to the ledger is appropriately restricted.	Feb-20			
Strategic Risks	Strategic risks are identified, managed and linked to the corporate priorities of the Council. There is a process in place which ensures that they remain current and action plans ensure that risk mitigation actions are implemented as planned.	Feb-20			
Land Charges	To provide assurance that applications are processed on time and in accordance with legislation.	Feb-20			
Public Protection	To provide assurance that the Council is complying with it's duties in respect of Public Protection including a clear strategy and partnership working. Income due through the issue of Fixed Penalty notices is collected and used as prescribed.	Mar-20			
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	Mar-20			