

Internal Audit Progress Report



Newark and Sherwood District Council – January 2020

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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 October 2019 to 31 January 2020
- Advise on progress with the 2019/20 plan and outstanding work carried forward from 2018/19
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

During the period we have completed one assurance audit and have 9 audits currently in progress with 5 of these at draft report stage. The 4 which are currently in progress include:-

- Key Controls – Final testing
- Corporate Planning – Initial testing started, delayed due to client staff absence
- Buttermarket – Testing started
- Procurement – Final testing

We have also completed the combined assurance work and 2020/21 planning. Further details of the audits is provided within the body of this report and Appendix 5.

There are 7 audits remaining for this quarter, only 1 of which is delayed, Performance. This has been affected by the delays with the corporate planning audit as the two are linked.

Overall there are 39 agreed actions remaining to be implemented (8 'High' and 31 'Medium'). There are no actions which are overdue. There have been a total of 21 extensions granted all of which have been approved by Directors as required by the process. Appendix 4 provides the breakdown of these.

We have now issued a total of 3 Limited reports and no Low reports this year. Appendix 2 provides the summary for the Limited report issued this quarter and Appendix 3 shows all of the outstanding actions for the reports previously issued. Managers will provide an update on the implementation of the recommendations within these appendices.

0

HIGH
ASSURANCE

0

SUBSTANTIAL
ASSURANCE

1

LIMITED
ASSURANCE

0

LOW
ASSURANCE

1

Other /
Consultancy

Limited Assurance

Business Continuity – Follow-up

Our overall assurance rating for the Business Continuity follow-up audit is limited. At this stage, we are unable to give a higher rating due to the fact that the Business Impact Assessments (BIA) and service plans are incomplete. However, most of the actions are being progressed and therefore, the direction of travel is positive. The vacancy within the team has been filled, meaning that risk 4 has now progressed. The majority of the risks should move to green as they become more integrated into business as usual.

It is important to note, that greater progress has occurred on the Emergency Planning side due to the fact that it is public facing and will significantly affect reputation if anything was to go wrong. As a result of this, Emergency Planning has taken priority over Business Continuity in recent months.

The Corporate Business Continuity Plan was approved by SLT in March 2018, which includes alternative locations, critical services and recovery requirements. The only addition necessary to the appendices is a contact list that should be available on senior staff copies.

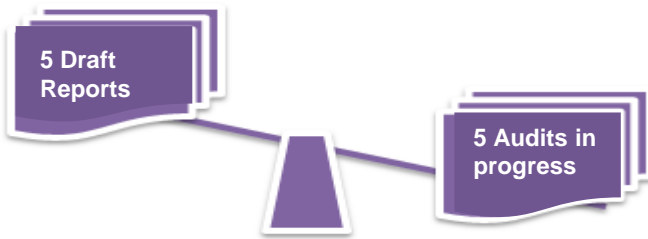
The Corporate BCP is scheduled to go to SLT for review every 6 months and the Emergency Planning Officer has the responsibility to review the plan every 3 years. However, they have verbally told us that they will informally review it annually.

BCM hasn't become part of the appraisal process however, we don't feel that it is necessary for every employee. Although, critical services like ICT should have BCM as a part of their appraisal.

The Emergency Planning Officer has started training Business Managers by taking them through a presentation about BC and how to fill out the BIA and service plan. Workshops have been suggested as a follow up form of training but there is no formal plan in place to roll out training to lower level employees.

Roles and responsibilities have been outlined in the Corporate BCP including a lead from SLT being responsible for ensuring that BIA are completed, which is good as it means that they can be held to account at SLT meetings.

As the service plans haven't been finished yet, there has been no testing of the current corporate BCP.



Audits reports at draft

We have 5 audit's at draft report stage:

- Building Control
- Project / Programme Management
- Commercialisation
- ICT incident Management
- ICT Patch Management and Change Control

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

Work in Progress

We also have 4 audits in progress :

- Key Controls
- Corporate Planning
- Buttermarket
- Procurement

Details of these can be seen in the 2019/20 plan at Appendix 5.

Other work

Assurance mapping is now complete and the report is included on the agenda for the February Audit and Accounts Committee.

Changes to the Plan

We have not made any further changes to the plan since the previous Committee.





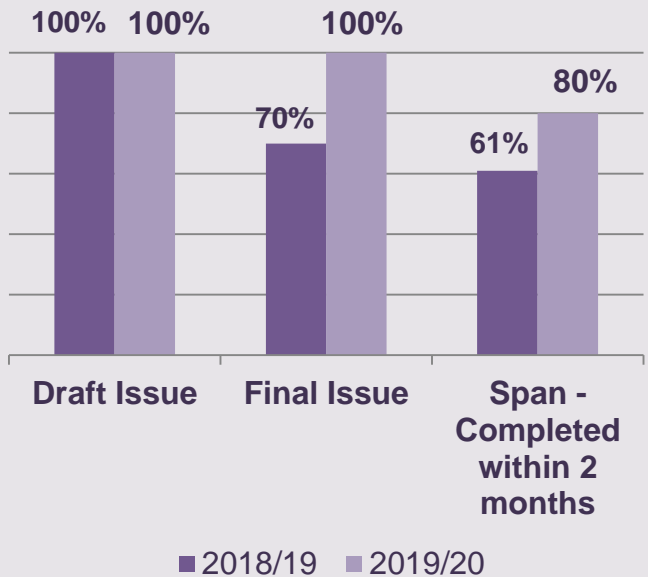
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

100%

Rated our service Good to Excellent

0%





Other Matters of Interest

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

CIPFA Financial Management Code 2019

CIPFA have updated their financial management code for UK Local Authorities to acknowledge the pressures of a tightening fiscal landscape.

The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code therefore for the first time sets the standards of financial management for local authorities.

The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium and long-term finances of a local authority
- Manage financial resilience to meet unforeseen demands on services
- Manage unexpected shocks in their financial circumstances

Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the chief finance officer (CFO) and their professional colleagues in the leadership team.

Assurance

High	<p>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.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
Substantial	<p>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.</p> <p>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.</p>
Limited	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>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.</p>
Low	<p>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.</p> <p>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.</p>

Ranking of Recommendations

High	<p>Necessary due to statutory obligation, legal requirement, Council policy or significant risk of loss or damage to Council assets, information or reputation.</p>
Medium	<p>Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist.</p>
Low	<p>Current procedure is not best practice and could lead to minor inefficiencies.</p>

Business Continuity

Risk	Rating (R-A-G)	Direction of Travel	Recommendations	
			High	Medium
Risk 1 – Management arrangements for Business Continuity Management is not effective.	Red	Positive	4	0
Risk 2 – Staff don't have the necessary skills/experience for BCM.	Amber	Positive	1	0
Risk 3 – BCM is not effective in meeting the needs of the Council.	Amber	Positive	2	0
Risk 4 – There is ineffective engagement in respect of BCM.	Green	Positive	0	0

Scope

This audit aims to review the previous action plan set by the 2018 audit and assess what progress has been made and the plans going forward.

The risks being assessed during the audit are:-

- Management arrangements for Business Continuity Management are not effective.
- Staff don't have the necessary skills/experience for BCM.
- BCM is not effective in meeting the needs of the Council.
- There is ineffective engagement in respect of BCM.

Management Comments

There is a recognition that the process for Business Units to manage their Business Continuity needs to be streamlined and simplified as well as at the same time being fit for purpose. There is still some work outstanding on achieving this but it must be recognised that the co-operation and involvement of Business Managers in this process is crucial.

Finding Recommendation	Action	Priority	Original Due Date	Revised Due Date	Owner	Resolution
If service managers are failing to complete the BIA and service plans in a specific period of time, the issue should be escalated to SLT. Provide a timetable/timeline that the service areas can realistically adhere to and provide information.	A timetable will be created providing a realistic period of time in which Service Managers will complete the BIAs and plans.	High	30/09/2019	30/09/2019	Business Manager Public Protection	Actioned
	Any Service Managers that fall outside of this period will be escalated to SLT.	High	30/09/2019	30/09/2019	Business Manager Public Protection	Actioned
Establish a module that is compulsory for all staff members outlining what BCM is and what their role is.	Establish a face to face, compulsory for all training programme that outlines what BCM is and what their role is.	High	13/06/2019	13/06/2019	Emergency Planning and CCTV Officer	Actioned

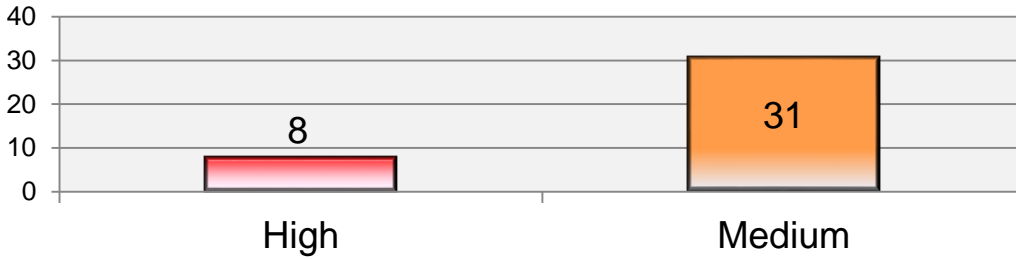
Finding Recommendation	Action	Priority	Original Due Date	Revised Due Date	Owner	Resolution
Ensure BCM is easily accessible for all employees.	Ensure that BCM is easily accessible for all employees across the Council.	High	13/06/2019	13/06/2019	Emergency Planning and CCTV Officer	Actioned
Create a 18 month plan as to how BCM will be integrated into business as usual, which will include SLT meetings, training, awareness management, testing etc.	Create an 18 months action plan that outlines 6/7 key tasks that will encourage BCM integration into business as usual.	High	30/06/2019	30/06/2019	Emergency Planning and CCTV Officer	Actioned
Make BCM/BCP a regular item/reminder on the Business Manger's meeting agenda with updates as required.	Take BCM/BCP to the monthly Business Manger's meeting regularly giving updates when necessary.	High	31/05/2019	31/05/2019	Business Manager Public Protection	Actioned
Report on BCM to SLT every 6 months.	Report to SLT every 6 months giving BCM updates.	High	31/05/2019	31/05/2019	Business Manager Public Protection	Actioned
Liaise with partners who share premises to allow for a comfortable immediate action if an emergency occurs	Liaise with partners and Assets to ensure comfortable immediate action following an incident.	Medium	31/05/2019	31/03/2020	Emergency Planning and CCTV Officer	Not Actioned
Establish a plan for testing. Report to SLT based on what progress has been made- every 6 months.	Finalise training programme	High	30/09/2019	30/09/2019	Business Manager Public Protection	Actioned
	Test known problem areas of the plan	High	30/09/2019	30/09/2019	Business Manager Public Protection	Actioned
	Report to SLT every 6 months on progress	High	30/09/2019	30/09/2019	Business Manager Public Protection	Actioned

The following report has been included in a previous progress report and these are the actions remaining to be implemented

Audit	Recommendation	Action	Priority	Due Date	Owner
Community Centres	That a structure and timetable for visits to centres is introduced. Alongside this a checklist containing key responsibilities from the lease e.g. maintenance activities to be carried out, should be completed as part of the visit.	To introduce a timetable for annual visits and record summary of notes for the visit.	Medium	31/12/2020 Extended to 31/03/20.	Senior Health and Community Relations Officer
Community Centres	That Community centres are brought into the Community Plan structure and that some reporting is considered on an annual basis.	To create a service plan for the Community Centres. Outlining targets and what they want to achieve within the community. To produce a low level report annually, providing an overview of what has been achieved over the year. Can be used to provide information for councillors should this be requested.	Medium	28/03/2020	Senior Health and Community Relations Officer
Community Centres	Council should look to bring together all information in regards of community Centres so that they are available in one place e.g. leases, insurance certificates, maintenance schedules, site visit notes. This will allow for accurate up to date information and compliance monitoring. This may be possible through the introduction of the Concerto system.	To investigate the use of Concerto as a way of bringing all information together (document control), providing a central control and compliance monitoring.	Medium	28/03/2020	Senior Health and Community Relations Officer

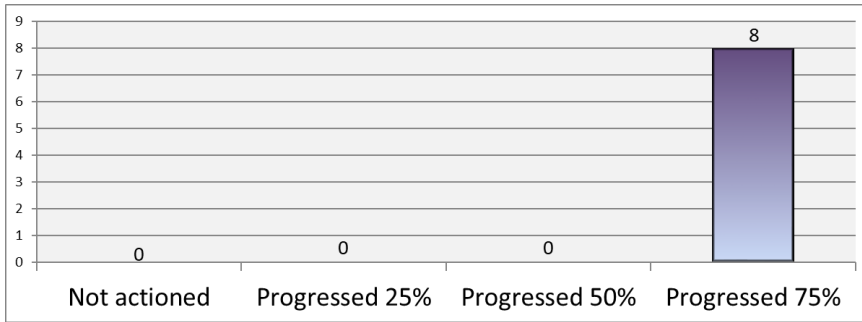
Outstanding Audit Actions for all audits at 31 January 2020

All Actions remaining to be implemented



High Priority Actions remaining to be implemented

Overall

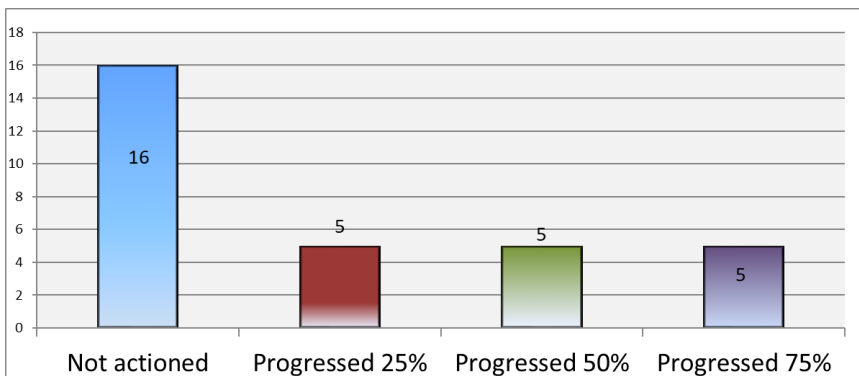


Overdue



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
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		Put on hold for priority work but now at Draft report
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	Jul-19	Substantial (Completed)
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 (Completed)
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	Jul-19	High (Completed)
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	Oct-19	Limited (Completed)
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	Aug-19		Draft Report
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			Terms of Reference
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 Revised to Sept due to client capacity.	Dec-19		Draft report
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			Changed to February following request by Auditee and approval by NW.

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
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			Planned
Buttermarket	To provide assurance that there is effective management of the Buttermarket to ensure that it meets the objectives of the Council.	Sep-19	Oct-19		Testing
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	Sep-19	Sep-19	Sep-19	Completed
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	N/A	N/A	Deferred until Financial year 2020/21
Procurement	To provide assurance over the new arrangements in place for procurement.	Oct-19	Dec-19		Testing in progress
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	Nov-19		Draft report
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	Oct-19	Oct-19	N/A	Completed
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	Oct-19		In progress
Capital Programme	To provide assurance that the capital programme is appropriately approved, financed and reported.	Jan-20			Planned
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	N/A	N/A	Cancelled
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			Planned

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
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	N/A	N/A	Deferred until Financial year 2020/21
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			Planned
Land Charges	To provide assurance that applications are processed on time and in accordance with legislation.	Feb-20			Planned
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			Planned
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	Final Mar-20	Nov-19		Started
Consultancy work completed		Aug-19	Aug-19	Aug-19	Completed
Consultancy Work in Progress - Debtors arrears		Oct-19	Oct-19	Dec-19	Completed