

Internal Audit Progress Report



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Newark and Sherwood District Council November 2020

Contents

Key Messages

Page 2

Introduction
Summary
Assurances

Internal Audit work completed

Page 3

Overview of Assurances
Audit Reports at Draft
Work in Progress
Performance

Other Matters of Interest

Page 6

Risk in Focus 2021
Internal Audit in Lockdown
Guide for audit and risk committees on financial reporting and management during COVID-19
IIA Update to the Three Lines of Defense Model
Redmond Review

Appendices

Page 11

1 Assurance Definitions & recommendation ranking
2 Details of Overdue Actions
3 Outstanding Actions for Limited Reports
4 Internal Audit Plan 2020/21 – Progress 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 on 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 1st July 2020 to 31st October 2020
- Advise on progress of the 2020/21 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

We are currently working on 13 audits at the moment with 4 of these at draft report stage and the remaining 9 in progress. We have not issued any further reports this period.

Further details of our progress can be found within the body of the report and in Appendix 4.

Overall there are agreed 23 actions remaining to be implemented (7 High and 16 Medium). There are 8 actions which are overdue, 3 of which have requested extensions and we are awaiting Management approval for these. There is one action which requires Committee approval for an extension, this is shown in red in appendix 2.

Appendix 2 shows all of the overdue actions excluding those for the Limited reports. All outstanding actions relating to Limited reports are shown in Appendix 3.

Managers will provide the Committee with an update on the implementation of the recommendations within Appendix 3 (Limited Reports):-

Key Controls – Nick Wilson – Business Manager Financial Services

Building Control – Business Manager Planning Development - Lisa Hughes

Community Centres - Andy Hardy – Health Improvement and Community Relations Manager/Suzanne Shead – Director Housing, Health and Wellbeing

0
HIGH
ASSURANCE

0
SUBSTANTIAL
ASSURANCE

0
LIMITED
ASSURANCE

0
LOW
ASSURANCE

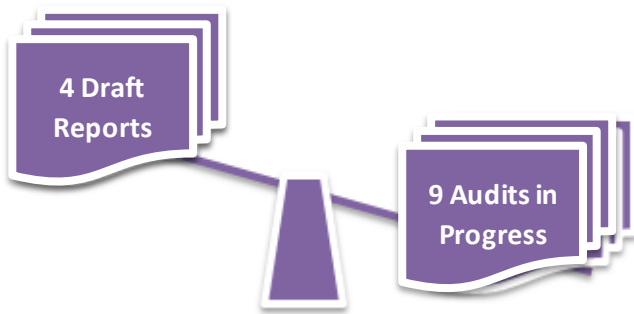
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OTHER

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**.

Key Messages Continued

Combined Assurance

Our Annual Combined Assurance process is underway with engagement and discussions taking place with relevant staff across all Council. Critical activities, key risks, key partnerships and key projects will be identified and assessed through our systematic risk scoring process and rated Red, Amber or Green (RAG) to create a clear visual map of assurances across the organisation. The results of this will be reported to senior management and the Audit Committee through the Combined Assurance Report. It will also support the Audit Team in planning next year's Audit coverage based on key areas of risk and concern.



Audits reports at draft

We have 4 audits at draft report stage:

- Commercialisation
- Key Controls NSH*
- Buttermarket
- Budgetary Control

*This review was completed prior to the Company being dissolved. However the aspects covered are those which have transferred over to the Council and therefore the points raised remain valid. It has been agreed that this report will now be treated as a Council report in terms of the manner in which it is agreed, reported and followed up.

Work in Progress

We have the following audits in progress:-

- Follow-ups 2020/21 – In progress, 2 interim Memos issued.
- General Ledger/Financial Reporting – Testing
- Information Governance – Terms of Reference
- Newark Castle – Testing
- Apprenticeships – Testing
- Robin Hood Hotel – Testing

- ICT Physical and Environmental Security – Terms of Reference
- Deliver an HRA affordable Housing Growth 5 year programme – planning
- Ensuring Homes are safe and Decent - Planning

Other Significant work

Combined assurance work is now underway. Initial information is being collated and meetings are booked in with relevant staff.

We are also involved in reviewing the grants for the flood incidents in November 2019 and February 2020. We are looking at compliance with the conditions of the grant and ensuring that the due diligence checks are carried out prior to making the payments.





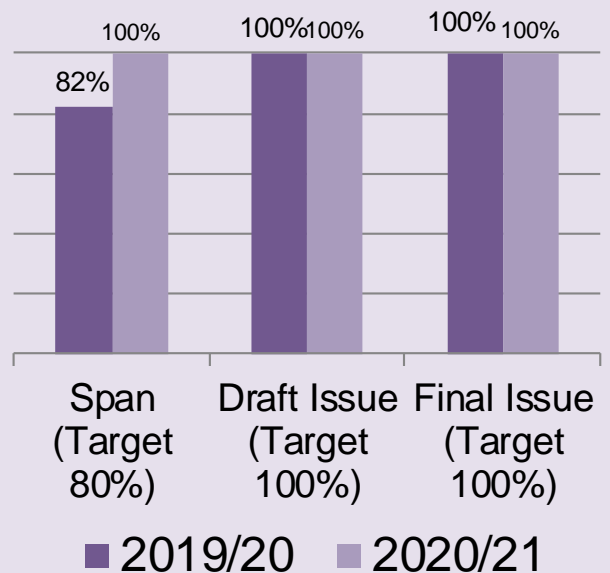
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

100%
Rated our
service **Good**
to **Excellent**

27% Plan
Completed

**Audit KPI's
achieved**





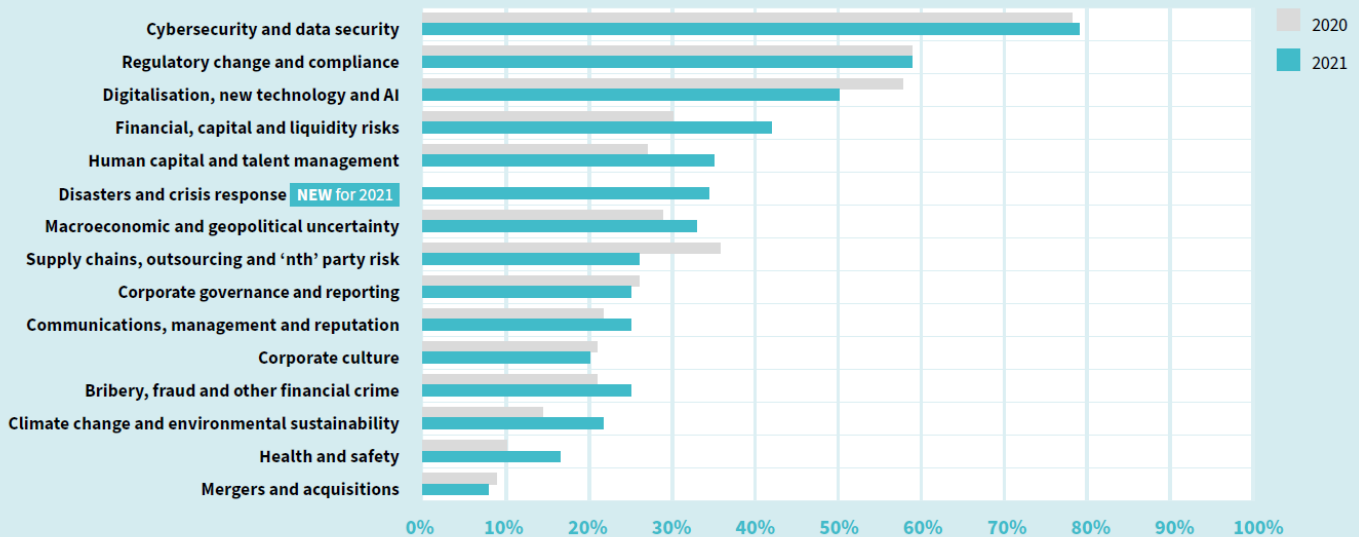
Other Matters of Interest

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

Risk in Focus 2021

This IIA document highlights key risks for organisations moving forward, and states that Covid-19 has shaped a number of the risk profiles:

What are the top five risks that your organisation faces?



As we can see there is only one new risk for 2021 – Disasters and Crisis Response. Several other established risks have also increased as result of the pandemic.

The top ten topics raised by this work can be seen to the right.

We will use this information along with the Combined Assurance work to form next years Audit Plan. The document can be provided in full on request.

The topics are as follows:

1. Information security in the expanded work environment
2. Regulatory forbearance and the return to normal
3. Strategic relevance and the digital imperative
4. Liquidity risk and cost-cutting amid depressed demand
5. Managing talent, staff wellbeing and diversity challenges
6. Disaster and crisis preparedness: lessons from the pandemic
7. Rising nationalism and social tensions amid unprecedented economic volatility
8. Supply chain disruption and vendor solvency
9. Fraud and the exploitation of operational and economic disruption
10. Climate change: the next crisis?



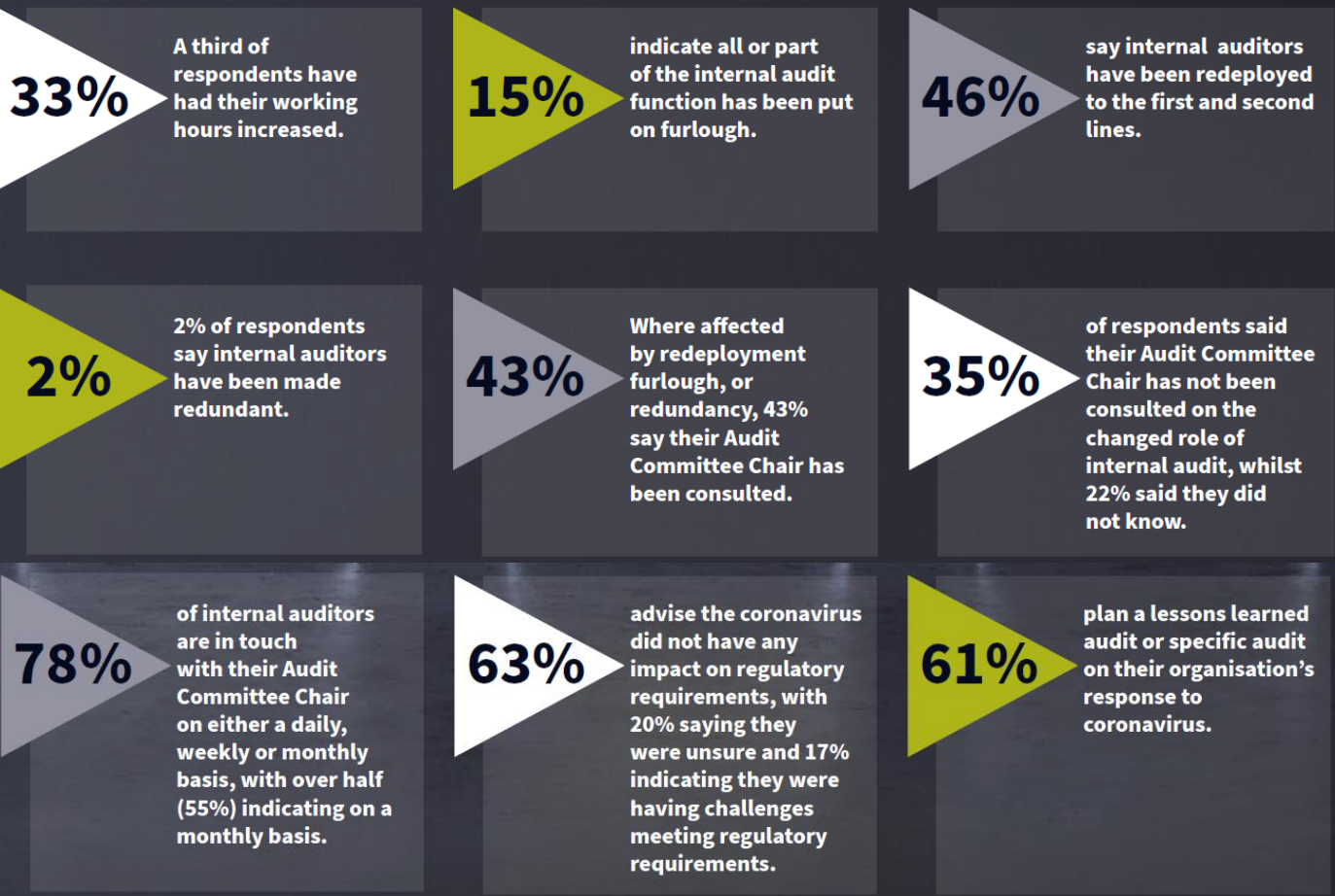
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Internal Audit in Lockdown - The impact of the coronavirus pandemic on internal audit teams in the UK and Ireland

This IIA document provides an insight of how Chief Audit Executives are coping with working in the current environment, and their thoughts on the long term impacts. Data was gathered through surveys and interviews.

Key Findings



The document can be provided in full on request.



Other Matters of Interest

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

Guide for audit and risk committees on financial reporting and management during COVID-19

This best practice document was produced by the National Audit Office. It aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. This includes the key areas:

1. annual reports;
2. financial reporting;
3. the control environment
4. regularity of expenditure

It provides the audit committees with reasoning as to how Covid-19 may have affected certain procedures, how the Authorities may have adjusted their processes to mitigate these issues, and most importantly the key questions the Committee can ask to gain assurance in these areas.

The document can be provided in full on request.

IIA Update to the Three Lines of Defense Model

The Three Lines Model helps organizations identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management. The model applies to all organizations and is optimized by:

- Adopting a principles-based approach and adapting the model to suit organizational objectives and circumstances.
- Focusing on the contribution risk management makes to achieving objectives and creating value, as well as to matters of “defense” and protecting value.
- Clearly understanding the roles and responsibilities represented in the model and the relationships among them.
- Implementing measures to ensure activities and objectives are aligned with the prioritized interests of stakeholders.

We already apply this methodology when doing our Annual Combined Assurance work. The document can be provided in full on request.



Other Matters of Interest

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

Redmond Review

There has been an independent review into the oversight of Local Audit and the transparency of Local Authority financial reporting. This was published in September 2020. Key findings include:

- concerns expressed regarding the state of the local audit market and the ultimate effectiveness of the work undertaken by audit firms.
- the current fee structure does not enable auditors to fulfill the role in an entirely satisfactory way
- there is merit in authorities examining the composition of Audit Committees in order to ensure that the required knowledge and expertise are always present when considering reports, together with the requirement that at least an annual audit report to be submitted to Full Council.
- a key recommendation is to create a new regulatory body responsible for procurement, contract management, regulation, and oversight of local audit. It is recognised that the new body will liaise with the Financial Reporting Council (FRC) with regard to its role in setting auditing standards.

The document can be viewed online - <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>.

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 limited level of confidence on service delivery arrangements, management of risks and operation of controls and / or performance.

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.

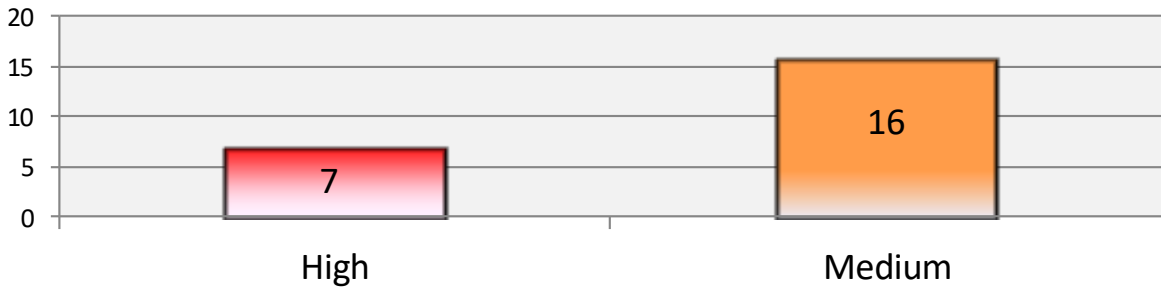
Low

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.

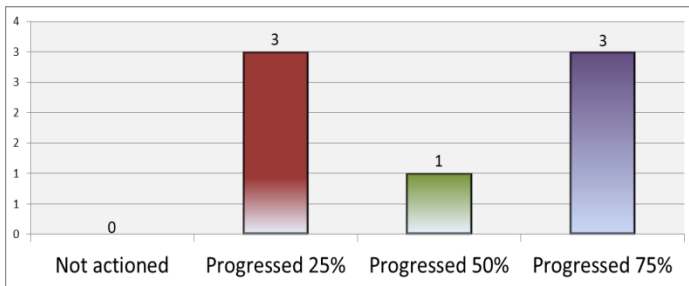
Outstanding Audit Actions for all audits at 1 November 2020

All Actions remaining to be implemented



High Priority Actions remaining to be implemented

Overall

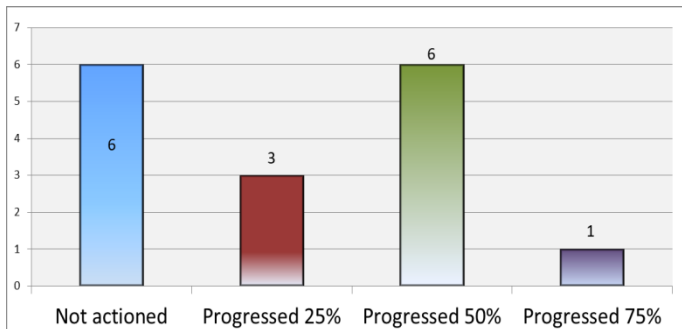


Overdue

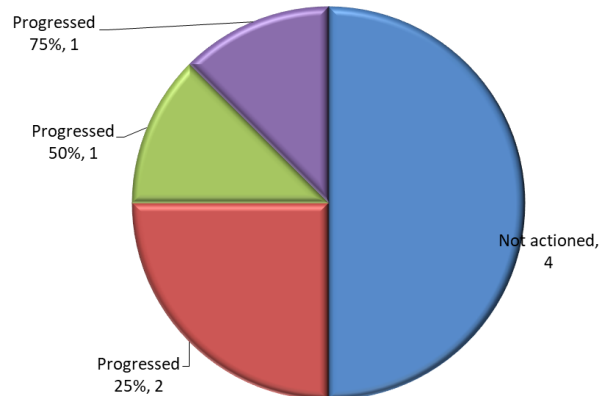


Medium Priority Actions remaining to be implemented

Overall



Overdue



Outstanding Audit Actions at 1 November 2020

Audit	Priority	Agreed Action	Original Due Date	Owner	Current Due Date	Response
Domestic Refuse	Medium	2.1 Recycling information has been issued to every property in the district. Areas with particular contamination issues will be targeted with face to face visits and pre-round checks.	31/03/2020	Matt Adey	31/08/2020	<p>Most recent Jun 2020 – Matt Finch response - I note Matt Adey has identified an extension to the end of August which I think is very optimistic. To my mind, this isn't a priority whilst we're working in such an altered state with two in a cab etc.</p> <p>Jun 2020 - Targeted actions included in the Environmental Services Action Plan. Implementation of these was due to begin in April 2020 following on from the restructure of the Business Unit and frontline collection rounds. The responses required to safely continue to operate frontline services during the Covid19 pandemic and the restriction of on site actions has delayed things further. We do not expect to resume on street work until the restrictions are lifted.</p> <p>Oct 2020 - This would still not be classed as a priority in the current climate and door to door visits are not yet commencing. We will continue desktop analysis of problem areas and look for alternative methods to improve the contamination rate.</p> <p>Requested extension to 31st August 2021 reducing if alternative methods can be identified.</p>

Outstanding Audit Actions at 1 November 2020

Audit	Priority	Agreed Action	Original Due Date	Owner	Current Due Date	Response
NSDC Companies	Medium	6.1 The Council is not intending to set up any more companies in the near future therefore we do not feel that it is necessary to compile comprehensive guidance . Following on from the training session in finding 3 we will draw up brief guidance/ checklist covering the role of the client officer and also consider including the monitoring roles of others within the Council e.g. building maintenance responsibilities, Health and Safety etc.	31/03/2020	Sue Bearman	30/06/2020	Mar 2020 - Not yet actioned - extend the timeline for this to 31 June 2020 to produce brief guidance/checklist - KW authorised extension. No further responses received.
NSDC 2018/19-06 - Economic Development	Medium	3.1 A separate strategy will be produced separately now that I have received the research document from Nottingham Trent University which I was waiting for.	31/12/2018	Neil Cuttell	30/09/2020	Most recent. Jun 2020 - New Business Manager has just started, the formation of the new team is the update at present. ·Oct 2020 - The Economic Growth Strategy 2021-2025 is being considered consultation at present. This will go to the November 2020 Committee of Economic Development for approval

Outstanding Audit Actions at 1 November 2020

Audit	Priority	Agreed Action	Original Due Date	Owner	Current Due Date	Response
NSDC 2019/20-01 - Key Control Testing	Medium	Accepted - this was something that we were already aware of and had made a start on when the audit took place.	01/10/2020	Caroline Glass	01/10/2020	Oct 2020: - Policy is currently under review. Toolkit will then need revising. Please amend due date to 31.3.21.
NSDC 2019/20-01 - Key Control Testing	Medium	We have identified this as a training need across the Council and have approached providers to source training to all NSDC managers, any other staff who author reports or lead on projects and senior HR officers on how to undertake meaningful Equality Impact Assessments.	01/09/2020	Caroline Glass	01/09/2020	<ul style="list-style-type: none"> ·Oct 2020 - EIA training – this was delayed by Covid and is now taking place on 28 October 2020. A key group of staff will undertake the training with a view to rolling out across the organisation between November and March 2021 (Covid-permitting) ·Due Covid the trainer had to rewrite the programme to deliver electronically. Training now to be delivered on 12 Nov to key officers who will then roll out across the council to all report writers (Extension to November 2020)
NSDC 2019/20-01 - Key Control Testing	Medium	Accepted. Going forward, we will report on all equality and diversity actions to the Policy & Finance Committee after year end.	01/09/2020	Caroline Glass	01/09/2020	<ul style="list-style-type: none"> Oct 2020 update:- Summarised:- ·Given the Coronavirus outbreak most equalities work was placed on hold and so no report went to P&F. This will be actioned once we get back on an even keel (Extension will be required).

The remaining actions are included within Appendix 3 so has not been duplicated here.

The following reports have been included in this or previous progress reports and these are the actions remaining to be implemented

Audit	Priority	Agreed Action	Original Due Date	Owner	Current Due Date	Response
Key Controls 2018/19	Medium	5.1 A relevant target and/or report will be devised and agreed with the Director of Resources.	31/07/2019	Nick Wilson	30/06/2020	<p>Aug 2020 - Verbal update. First report to be taken to SLT in Oct - end of quarter report. This will include all debts not just Sundry debtors. There will also be a focus on debt overall as services may be meeting current target for the year but not looking at the debt we didn't get in previous years. Meeting is in diaries but has not yet taken place so not yet complete.</p> <p>Oct 2020 - The first report is due to be taken to SLT on the 20th October in conjunction with the debt position for Council Tax, NNDR and Rents. Discussions have been had across those disciplines and the report will be built and tabled at that meeting. This will then occur quarterly from there.</p>
Building Control 2019/20	High	4.3 The new Business Manager will create an annual report for the Partnership Board	30/04/2021	Lisa Hughes	30/04/2021	<p>Jun 2020 - Report has been prepared for Policy & Finance Committee (P&F). Further report will be required before or just after then end of the current financial year.</p> <p>Sept 2020 - Report was not presented to P&F due to Covid-19 impacts. Report will be presented to September's P&F.</p> <p>Oct 2020 - Report prepared for November's P&F</p>

Audit	Priority	Agreed Action	Original Due Date	Owner	Current Due Date	Response
Community Centres 2019/20	Medium	<p>To create a service plan for the Community Centres. Outlining targets and what they want to achieve within the community.</p> <p>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.</p>	28/03/2020	Andy Hardy	28/03/2020	<p>Mar 2020 - The community centres run their own programmes which support the local community and deliver an income stream to the centre to offset operating costs. A report can be presented to L&E Committee in June to provide an overview of what each centre/hall has done over the previous 12 months.</p> <p>Jun 2020 - An annual report can be presented to L&E Committee with an overview of each of the centres owned by the Council and managed independently. A Committee date target is required.</p> <p>Oct 2020 - a wider report is required about the current position and future plans for our 4 community centres with recommendations for SLT and L&E approval which will also ensure delivery of this audit action to report annually on these matters.</p>

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
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-20			
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.	Aug-20	Aug-20		Draft Report
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.	Jul-20	Aug-20		Testing
NNDR	NNDR is billed correctly, collected promptly and all discounts are appropriately awarded.	Jun-20	Jun-20	Aug-20	Substantial
Council Tax	Council Tax is billed and collected in accordance with the agreed charge for the property and location and all discounts are appropriately awarded.	Jan-21			
Information Governance	There are effective processes in place for the management of information throughout the Council.	Aug-20	Aug-20		Terms of Reference

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
Newark Castle	Review of the key processes in place for income, security, maintenance and management of the Castle.	Aug-20	Aug-20		Testing
Deliver a HRA affordable housing growth 5 year programme	To provide assurance that the Council has a plan in place for the delivery of affordable housing which is realistic, adequately resourced and will meet the requirements laid down.	Sep-20			Planning
Ensuring homes are safe and decent	To provide assurance that the Council is meeting its obligations to it's tenants in the provision of safe and decent homes.	Sep-20			Planning
Strategic Asset Management	To provide assurance over the arrangements in place for the operational management of the Council's land and buildings and the maintenance /improvement thereof.	Jan-21			
Contract management - General	There are effective arrangements in place which ensure that all contracts are recorded, allocated contract managers and there are processes in place which ensure that they are managed effectively.	Sep-20			

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
Enforcement	To provide assurance that there are effective processes in place for development enforcement action which are complied with.	May-20	May-20	Aug-20	Substantial
Debt	There are effective and joined up arrangements for the management of debts owed to the Council. Such processes are documented, consistent and shared prior to allowing further credit wherever possible.	Feb-21			
Apprenticeships	To ensure that there is compliance against the scheme requirements, maximisation of take-up and consideration is given to the retention and integration of apprentices into the workforce once they have completed their apprenticeship.	Aug-20			Testing
Robin Hood Hotel	There are appropriate governance arrangements in place for the Robin Hood Hotel company with oversight maintained of the construction project.	Jun-20	Aug-20		Testing
ICT Physical and Environmental Security	Looking at the security of Castle House, satellite locations (Brunel drive cited as a concern), the Beacon and locations where any off-site back-ups are stored.	Aug-20	Sept-20		Terms of Reference

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
ICT Capability and Capacity	Skills audit and training needs assessment .	Oct-20			
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	Various			In progress
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	Oct-20			In progress
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	Aug-20			Document requested
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium Accounts	Apr-20	Apr-20	Apr-20	Complete
Newark Cattlemarket	Completion of the rent calculation for 2018/19	Jun-20	Jun-20	Jun-20	Complete
2019/20 Strategic Risks	Strategic risks are identified, managed and linked to the corporate priorities of the Council. There is a process in place which ensure that they remain current and action plans ensure that risk mitigation actions are implemented as planned.	Feb-20	Jul-20		Postponed Reinstated - Testing
2019/20 Homelessness	To provide assurance that the homelessness service is meeting it's objectives and priorities and complies with legislation.	Jan-20			Postponed
2019/20 Corporate Governance					In Progress

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
2019/20 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			Postponed
2019/20 Key Controls	Delivery of Key Control, testing to enable the Head of Audit to form an opinion on the Council's financial control environment.	Nov-19	Oct-19	Aug-20	Substantial
2019/20 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		Draft Report
2019/20 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		Draft Report (Put on hold for priority work)
2019/20 Performance	To follow-up the recommendations made within the previous report which received Limited assurance rating.	Sep-19	Mar-20	Aug-20	Substantial
2019/20 Follow-ups	Follow-up of the implementation of recommendations made on a sample basis.	Various – throughout the year	Various	Aug-20	Substantial