

Internal Audit Progress Report



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Newark and Sherwood District Council January 2021

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
5 Internal Audit Plan 2020/21 - Changes
6 Details of Limited and Low Assurance Reports

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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 8 January 2021
- 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 10 audits at the moment with 5 of these at draft report stage and the remaining 5 in progress. We have issued the following reports this period:-

- Budgetary Control - High
- Robin hood Hotel - Substantial
- Buttermarket - Substantial

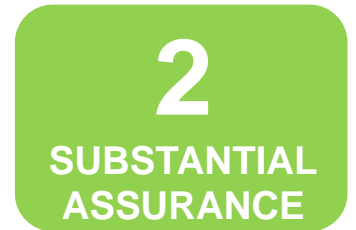
We have also issued the Newark and Sherwood Homes key controls report which was given Limited Assurance. This review was completed prior to the Company being dissolved. However the aspects covered are those which have transferred over to the Council and therefore the points raised remain valid. It has 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.

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

Overall there are agreed 18 actions remaining to be implemented (6 High and 12 Medium). There are 4 actions which are overdue. 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):-

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



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**.

Introduction

Key Messages Continued

In consultation with Senior Management we have made a number of changes to the Audit plan to reflect the current risk environment. This has resulted in some audits being removed and being replaced with audits covering Covid, Cyber Security and Committee Governance. Further details are given in the remainder of the report and Appendix 5.

Whilst our performance is currently below target this is a developing process as the impact of Covid and changes in working practices settle in. It is also normal practice for delivery of audits to increase in the latter half of the year but this has been amplified this year due to Covid delays in the first half of the year.

We have increased resource across the team which should ensure that the remaining audits will be delivered in accordance with the plan. This is being monitored and any specific issues will be raised with the relevant Directors and through our regular liaison meetings.

High Assurance

The processes for Budgetary Control Management are well controlled and there is evidence that budgets are set in line with the councils community plan. There are regular budget monitoring reports produced and these are discussed at operational and strategic level.

Our testing confirmed that :

- The Councils Financial Regulations, Budget Book and Medium Term Financial Plan are all up to date and published on the Councils website.
- Budget setting for the current financial year was agreed at Committee, with copies of the agenda, reports presented and minutes of the meetings published on the Councils website.
- Budgets were loaded correctly from the Budget Book onto the General Ledger system.
- There are regular Policy & Finance Committee meetings throughout the year and there is evidence that budget outturn reports are presented and discussed.
- There are budget monitoring meetings held monthly at operational level and quarterly at strategic level.
- There is evidence that Committee discussed and approved the allocation of the grant awarded for Covid-19 pressures into priorities of spend.

There was one area where we felt the process could be strengthened and this related to the budget monitoring reports. The reports could be strengthened by including a variance column showing the changes from the previous months year end forecast and the current months year end forecast. This will highlight the changes informing discussion and enabling informed decisions on whether any action is required.

Budgetary Control

Substantial Assurance

Robin Hood Hotel

We have given a 'Substantial' level of assurance on the effectiveness of the governance arrangements and delivery of the construction project to date. Our assurance is supported by the following:-

- The investment in the RHH is fully aligned to the Council's Community Plan objectives and the decisions to develop the hotel via a joint venture vehicle had been carefully considered and appropriately approved.
- The Client Officer regularly liaises with the Directors of the Company to scrutinise the delivery plans and performance.
- The project costs are stringently monitored and kept under control. The current and projected expenditure for the development are within the approved maximum capital cap.
- A firm offer has been accepted for a forward sale of the entire RHH building.

We identified some areas requiring improvements to strengthen the arrangement as follows:-

- Undertaking regular progress reviews on the letting of the three retail units to ensure they are successfully let out as the long term sustainability of the Head lease is dependent on these units.
- Ensuring maintenance of a corporate register of business interests within the Council to enable key staff with delegated authority across the Council to declare any relevant interests where appropriate especially when engaged in activities such as the RHH
- Ensuring the key risks for all major projects/investments are not only discussed at the Committee meetings but also monitored via the organisational corporate risk register to improve their visibility and enable structured risk monitoring via the assurance framework.

Overall the project is being well managed and is being delivered within the approved financial resource. We did not identify any matters of concern suggesting that there is a risk of materially overspending the allocated capital expenditure.

The occupancy rate at the time of the initial audit review was lower than expected and this is mainly due to delays in the redevelopment arising from Covid -19. Tenants for the ground floor had been secured before the pandemic however due to Covid-19 lockdown, there were unavoidable delays to carry out enabling works. We have received post audit management assurance that as at November 2020, the occupancy rate has now improved to 74% and all ground floor units have now been occupied.

It is too early at this stage to conclude the extent to which the project is achieving the Council's objectives as this will require more time for the arrangement to settle down before a meaningful assessment can be made. However, its development fits with the Council's objectives and the direction of travel is positive. Due to the ongoing effects of Covid-19, a review is currently being undertaken to reassess and decide on the future use of the first floor.

We have identified some improvements around improving the letting activity and the project management and operational risk management processes.

Buttermarket

Limited Assurance

We identified that there were some areas which require improvements to strengthen the controls, these include:-

Planned maintenance

There are some areas which need improvement to ensure the safety of tenants through compliance with guidance - these include:-

- Fast tracking the inspection and testing work of the electrical installation to ensure the required inspection checks and tests are brought back in line with the 5 year inspection cycle required by the industry practice
- Strengthening the reconciliation processes for all identified areas of compliance maintenance and ensuring sufficient evidence is retained

Health and Safety (H&S) and Risk Management

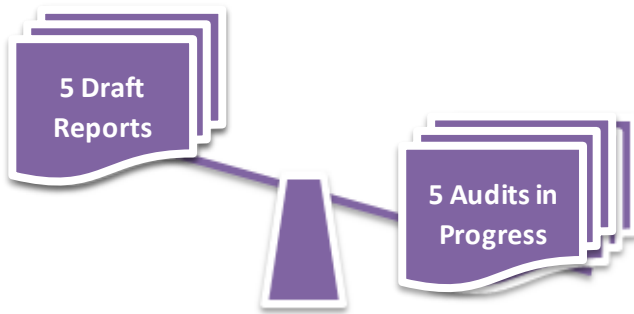
To ensure that risk assessments remain relevant and mitigating actions are in place we have recommended:-

- Reviewing the H&S risk assessments frequently within reasonable timescales
- Ensuring the risk assessment ownership is assigned to the appropriate service teams with the H&S support team providing a central advisory role
- The provision of the refresher training to staff on the use of the AssessNet to manage the risk assessments for the identified hazards
- Reviewing the risk registers to ensure the identified risks are reviewed regularly to ensure that they are fit for purpose and appropriately mitigated.

Stores

There are a significant number of weaknesses within the management of the stores function. We identified several areas which require improvement to ensure compliance with Financial Regulations and ensuring that the stock valuation within the accounts is accurate. These include:-

- Undertaking stock takes at least every month ensuring all stock items are included within the stock take over time and investigating and reporting to management any discrepancies. Also ensuring stock items are valued correctly.
- Strengthening the controls and processes for the authorisation of purchases to replenish the stock ensuring sufficient separation of duties and management oversight of the stores activity.
- Resolving the ICT system to ensure the bar-coding system is promptly brought back into use.



Audits reports at draft

We have 5 audits at draft report stage:

- Newark Castle
- Apprenticeships
- Deliver an HRA affordable Housing Growth 5 year programme
- Council Tax
- Strategic Risks
-

Work in Progress

We have the following audits in progress:-

- Follow-ups 2020/21 – In progress, 3 interim Memos issued.
- General Ledger/Financial Reporting – Testing
- Information Governance – Terms of Reference
- Ensuring Homes are safe and Decent – Planning
- ICT Capability and Capacity - Testing

Other Significant work

Combined assurance work was reduced

this year due to staff capacity within the Council. Meetings were held with individual Directors to ascertain any areas of concern and the map was updated for Internal Audit Assurance.

The work on the grants for the flood incidents in November 2019 and February 2020 is also ongoing. 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.

Changes to the Audit Plan

We met with the Senior Leadership Team in December to review the work remaining in the plan and priorities based on the current environment.

Whilst we set a plan at the start of the year this is a flexible plan which is reviewed periodically throughout the year. This ensures that it covers those areas which are a priority to the Council and there is adequate coverage to inform the Head of Internal Audit's opinion.

A number of audits were removed from the plan and replaced with audits which are more relevant including those related to Covid, Cyber Security and Governance. These are detailed in full in Appendix 5.





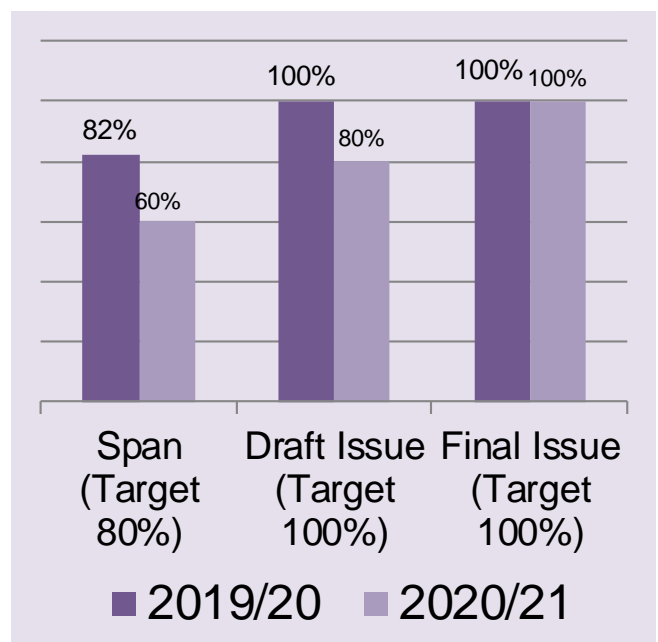
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

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

41% Plan
Completed

**KPI's slightly
below target**





Other Matters of Interest

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

CIPFA - Facing up to COVID-19 in the public sector

The COVID-19 pandemic presented an unprecedented challenge to public bodies. This created a challenge for public sector heads of internal audit who had to balance supporting their organisation and the wider public interest with their need to provide assurance to the leadership team and Committees as well as maintaining their professional standards.

This publication includes examples of how some internal audit teams have responded to the challenges providing some lessons to share and helping the leadership team and Committee understand the role and potential of internal audit.

Summary of the Key learning points for Maintaining effective engagement with clients, the leadership team and the audit committee

- Be proactive in putting forward suggestions in how internal audit can help.
- Make it your business to find out how the governance of your organisation's response to the crisis is being managed.
- Consider how advisory work may contribute to the head of internal audit's annual opinion.
- Consider opportunities to place reliance on other sources of assurance within the first and second lines.
- Consider how the organisation has maintained wider governance arrangements that impact on the work of internal audit.
- Prompt audit reporting and good planning and focused scoping of work.
- Consider the use of shorter report templates with focused outcomes to enable a quicker response.
- Keep the audit committee informed of your work at regular intervals.
- Discuss with your audit committee chair what information they would most value to support them in their role.

Summary of Key Questions for Audit Committee members to ask

1. Has the internal audit service redeployed any staff during 2020/21 to support COVID-19 related activity?
2. What impact have these had on the overall operation of the internal audit service?
3. Have key organisational risks been subject to internal audit review during 2020/21?
4. Has internal audit been able to follow up recommendations, any areas of concern?
5. Is there sufficient audit resource to deliver an internal audit opinion at the end of the year?
6. Will the head of internal audit be able to take assurance from any second line functions?
7. Which audit areas have been deferred or cancelled and the potential impact?
8. Has the head of internal audit been able to keep up to date with changes in the organisation's COVID-19 governance processes?
9. Is senior leadership providing the audit committee with regular information around key risks and governance developments arising from COVID-19?
10. Does the internal audit team need to undertake a skills assessment to ensure the skills mix is appropriate in a changing environment?

The full report can be found through this link:-
[Facing Up to COVID-19 in the Public Sector | CIPFA](#)



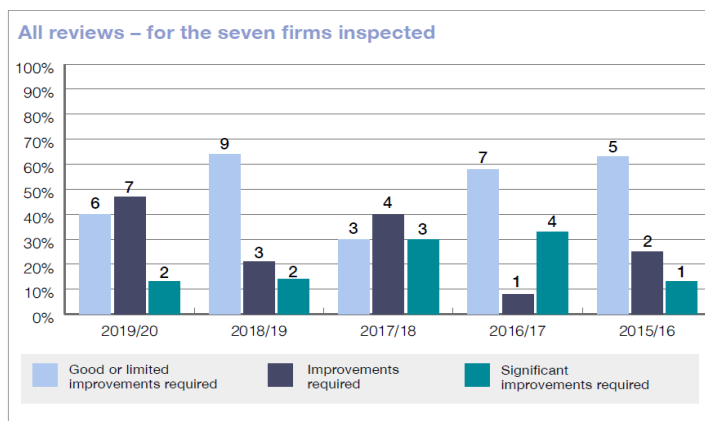
Other Matters of Interest

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

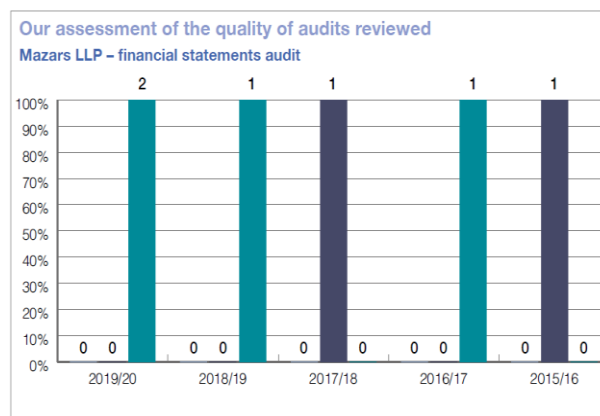
Financial Reporting Council - Major Local Audits - Audit Quality Inspection

The Financial Reporting Council is responsible for monitoring the quality of Major Local Audits. The reports sets out it's findings arising from the 2019/20 inspection of 7 audit firms completing major local audits in England.

The overall assessment results were :-



The result for Mazars was:-



Both audits selected for Mazars required significant improvement and was shown as being unacceptable, following a trend of poor inspection results. It gave the key areas of quality to focus on as audit of property valuations, group audit oversight and ensuring sufficiency of testing on income and receivables and expenditure.

Each accountancy firm provided a detailed response. Mazars response was: Our commitment to audit quality is at the core of our values and we are dedicated to the continuous improvement of our audit work and the service we provide to our audit clients. Whilst we are pleased with the results of the AQR's reviews of our work on Value for Money conclusions (which show only limited improvements identified for a number of years), we are disappointed with its findings on our work on the audit of the financial statements at 2 of our local audit clients. The firm will robustly respond to the findings and has plans in place to improve the quality of our local audit work.

We have prepared a Local Audit Quality Plan, which is a sector-specific element of our firm-wide Audit Quality Plan. These draw together information on risks to audit quality from a range of sources including quality monitoring findings, changes to auditing and financial reporting standards, and feedback from auditors. The Local Audit Quality Plan has also taken account of the AQR's findings and emerging audit quality risks arising from the update of Practice Note 10 and the National Audit Office's Code of Audit Practice. This plan will be maintained by the firm's Audit Quality Team and subject to oversight from our Audit Board.

The full report can be found at <https://www.frc.org.uk/getattachment/da3446de-8d37-4970-828d-e816d7c0826c/FRC-LA-Public-Report-30-10-20.pdf>



Other Matters of Interest

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

Internal Audit Standards Advisory Board – Conformance with the PSIAS during the coronavirus pandemic

This guidance has been produced to support internal audit within the public sector in its compliance with the Public Sector Internal Audit Standards. It recognises the difficulties being experienced during the pandemic and the effects this could have on conformance with the PSIAS.

The guidance sets out some examples of how Internal Audit can protect organisational value and the challenges it might face in applying the standards. It sets out 7 key steps which the Head of Internal Audit should take.

A full copy of the document can be provided on request.

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.

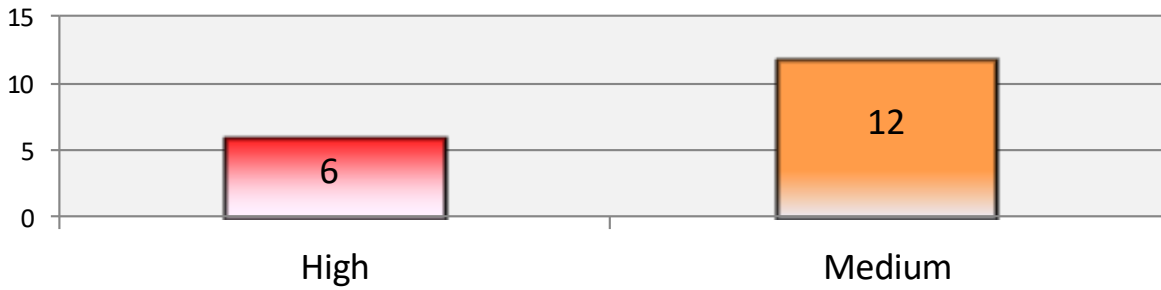
Low

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.

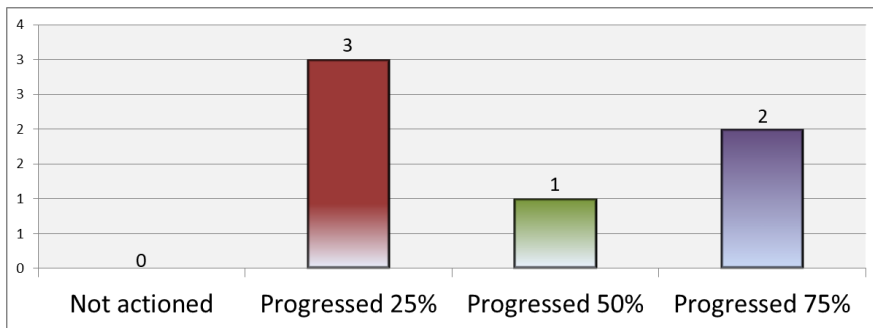
Outstanding Audit Actions for all audits at 14 December 2020

All Actions remaining to be implemented



High Priority Actions remaining to be implemented

Overall

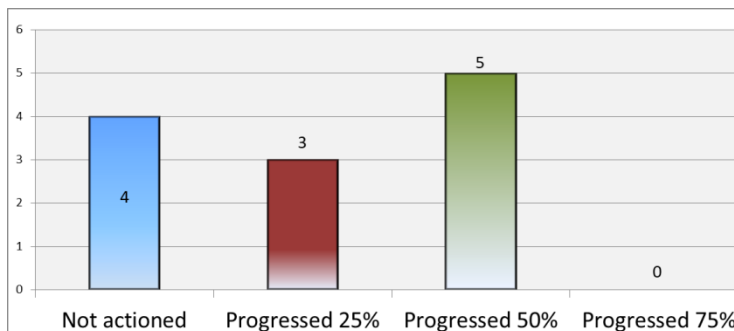


Overdue

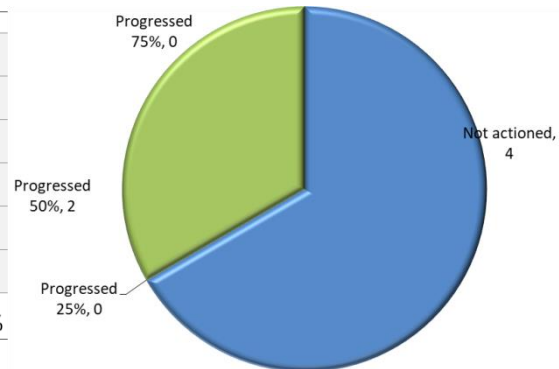


Medium Priority Actions remaining to be implemented

Overall



Overdue



Overdue Audit Actions at 14 December 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.	31/03/20	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 2018/19-05 - Emergency Planning	Medium	6.1 Ensure that interim reviews are done in order to maintain awareness of the flood plan and it's dated areas	31/05/20	Mike Manley	30/11/20	Most recent:- ·Oct 2020 - The EA has completed the local flood response plan , local copies have been changed to reflect this , a further review of the LRF generic flood guidance document has been delayed until an unknown date owing to the Covid work pressures on the EA. The local guidance will remain current until further notice.

Overdue Audit Actions continued

Audit	Priority	Agreed Action	Original Due Date	Owner	Current Due Date	Response
NSDC 2018/19-05 - Emergency Planning	Medium	6.2 Refresh the flood plan in line with guidance produced by the Multi-Agency	31/05/20	Mike Manley	30/11/20	Most recent:- ·Oct 2020 - The EA has completed the local flood response plan , local copies have been changed to reflect this , a further review of the LRF generic flood guidance document has been delayed until an unknown date owing to the Covid work pressures on the EA. The local guidance will remain current until further notice

The remaining action is included within Appendix 3 so has not been duplicated here.

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

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>	28/03/20	Andy Hardy	28/03/20	<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> <p>Dec 2020 - A report can be presented to Committee, should be Homes and Communities. It is proposed that this be submitted each year to the June meeting as an annual overview. Of the 4 centres/village halls, all are leased and managed independently so each is responsible for its own annual plan and objective setting which can be shared with members as necessary. Of the 4 sites in council ownership, 2 are currently subject to asset transfer and this process has been paused/stalled due to Covid.</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	Dec-20	High
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	Dec-20		Report being drafted
Information Governance	There are effective processes in place for the management of information throughout the Council.	Aug-20	Aug-20		Terms of Reference (Put on hold due to staff changes in the Council)

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		Draft Report
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	Nov-20		Drafting Report
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 – put on hold due to capacity in NSDC
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			

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
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	Oct-20		Draft Report
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	Jan-21	Substantial
ICT Capability and Capacity	Skills audit and training needs assessment .	Oct-20	Dec-20		Testing
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	Quarterly through the year	Jun-20		In progress – 3 quarterly reviews completed
Combined Assurance	Updating the assurance map with Audit work and speaking to Directors to ascertain any issues.	Oct-20	Oct-20	Dec-20	Complete
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	Aug-20	Oct-20	Dec-20	Complete
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

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
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 Postponed by client to 2020/21	Jul-20		Report being drafted
Homelessness	To provide assurance that the homelessness service is meeting it's objectives and priorities and complies with legislation.	Jan-20 Postponed by client to Jan 2021			
Corporate Governance					In Progress
Key Controls (2019/20)	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
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	Jan-21	Substantial
Performance	To follow-up the recommendations made within the previous report which received Limited assurance rating.	Sep-19	Mar-20	Aug-20	Substantial

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
2019/20 Follow-ups	Follow-up of the implementation of recommendations made on a sample basis.	Various – throughout the year	Various	Aug-20	Substantial
Cyber Security follow-up	Review of the actions and implementation thereof.	Feb-21			
Covid related impact	Review of the impact of Covid on the Council's processes and system providing assurance that the alternative arrangements provide effective control and whether they will have an impact on future provision. Possible areas:- New ways of working Working from Home Governance Environmental Health	Feb-21			
Covid related grants	Provide assurance over the processes in place for the payment of grants.	Feb-21			
Governance	To review the current Committee governance arrangements from a staff perspective collating views on it's efficiency and effectiveness.	Feb-21			

Changes to Internal Audit Plan – 2020/21

Audit	Rational	Change
2019/20 Public Protection	Postponed from 2019/20 due to capacity within the service as Covid was emerging. Capacity remains an issues as service is heavily involved in the Pandemic.	Remove from the plan
Strategic Asset Management	New structure and manager in place. Whilst this is important it may be better if it is postponing it to 2021/22 will allow time for them to settle in and review processes.	Moved into the 2021/22 plan.
Contract Management	Whilst this is an important area there have been some changes to processes and staff which require time to bed in.	Moved into the 2021/22 plan.
ICT Physical and Environmental Security	Due to Covid access to the site is restricted and therefore it is not possible to carry out this audit.	Moved into the 2021/22 plan.
Covid Business Grants	To gain assurance on the processes in place for administering the Business Grants.	Added to plan
Cyber Security Follow-up	Cyber security is very important and it received a limited assurance opinion last year.	Added to plan
Covid related impact	Covid has affected many operations, changing how they are delivered and operational processes. To look at some of these and ensure that the controls remain robust.	Added to plan
Governance	Request to collate views of staff on the current Committee governance arrangements.	Added to plan

Newark and Sherwood Homes – Key Controls

Scope

We carried out key control testing on the following systems:-

- Planned Maintenance—Systems and processes ensure that the properties are appropriately maintained taking into consideration legislative requirements.
- Health and Safety— A strategy and processes are in place to ensure that risk assessments are carried out and incidents reported.
- Risk Management—A risk register in place which is complete and up-to-date.
- Stores-Stock levels are accurately recorded and controlled.
- Insurance—Insurance remains in place for key items including Directors indemnity.

The audit was a high level review of the key controls in each area. We had not included the financial systems as we understood that these were being reviewed by Financial Services at the time of the audit in readiness for the transfer over and the processes would be subject to change.

Executive Summary

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Key controls relating to planned maintenance are ineffective	Medium	2	0
Key controls relating to operational Health and Safety are ineffective	Low	0	2
Key controls relating to the management of the Company's risks (strategic and operational) are ineffective	Medium	0	1
Key controls relating to the management of the Company's stores are ineffective	High	2	3
Key controls relating to management of the Company's insurance arrangements are ineffective	Low	0	0
TOTAL		4	6

We identified that there were some areas which require improvements to strengthen the controls, these include:-

Planned maintenance

There are some areas which need improvement to ensure the safety of tenants through compliance with guidance - these include:-

- Fast tracking the inspection and testing work of the electrical installation to ensure the required inspection checks and tests are brought back in line with the 5 year inspection cycle required by the industry practice
- Strengthening the reconciliation processes for all identified areas of compliance maintenance and ensuring sufficient evidence is retained

Health and Safety (H&S) and Risk Management

To ensure that risk assessments remain relevant and mitigating actions are in place we have recommended:-

- Reviewing the H&S risk assessments frequently within reasonable timescales
- Ensuring the risk assessment ownership is assigned to the appropriate service teams with the H&S support team providing a central advisory role
- The provision of the refresher training to staff on the use of the AssessNet to manage the risk assessments for the identified hazards

Newark and Sherwood Homes – Key Controls

Executive Summary - Continued

- Reviewing the risk registers to ensure the identified risks are reviewed regularly to ensure that they are fit for purpose and appropriately mitigated.

Stores

There are a significant number of weaknesses within the management of the stores function. We identified several areas which require improvement to ensure compliance with Financial Regulations and ensuring that the stock valuation within the accounts is accurate. These include:-

- Undertaking stock takes at least every month ensuring all stock items are included over time within the stock take and investigating and reporting to management any discrepancies. Also ensuring stock items are valued correctly.
- Strengthening the controls and processes for the authorisation of purchases to replenish the stock ensuring sufficient separation of duties and management oversight of the stores activity.
- Resolving the ICT system to ensure the bar-coding system is promptly brought back into use.

Areas of Good Practice

The insurance arrangement is well managed and appropriate insurance covers have been purchased to fully protect the establishment's against potential claims. This has been fully integrated into the Council's Zurich insurance arrangements with effect from 01/02/2020 and an additional arrangement has been put in place to purchase the Directors and Officers liability cover annually for at least a period of 6 years.

There are also some good systems in the management of the Health and Safety activity, risk management and ongoing improvements are made in planned maintenance especially around the gas servicing activity from which lessons have been learnt and are being used to drive improvements in other areas of compliance maintenance.

Managing Risks

Good risk management, including maintaining risk registers, helps you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

During our audit work we did not identify any significant or high risks that we feel should be considered for inclusion on the Company's risk registers. However, going forward whilst compiling the risk register for the new Housing service we suggest that the issues raised within this report are communicated to the Council for consideration on whether a suitable risk needs to be included on the risk register to prevent these issues arising again e.g. compliance with statutory maintenance duties.

Newark and Sherwood Homes – Key Controls

Executive Summary - Continued

Management Response

Newark and Sherwood Homes' comments

The stores function has been subject to significant management changes in the last 12 months and this has resulted in a lack of resource both in management and operational functions.

As of February 2020 the stores function has been temporarily placed under the responsibility of the Responsive Repairs Manager.

The issues with Keystone and Capita have been the subject of internal review for some time now and this is continuing following the transfer of the housing service back into the Council.

The Company's H&S responsibilities have now all been transferred to the Council.

We agree with the findings and the recommendations included in this audit report and it should be noted that some of the recommendations have been actioned.

The current COVID-19 crisis and the subsequent pausing of some non-essential functions means some implementation dates have been extended but these will be actioned as soon as it is safe to do so.

Council's Senior Leadership Team's comments

Noted previous discussion between Director Housing, Health and Wellbeing (HHWB) and Director Resources, things have moved on so as long as the recommendations have been followed up and actions are in place to mitigate the risks identified through the audit, will be captured on a future follow up audit; needed to come to Senior Leadership Team (SLT) as part of the process.

Noted expectation on the part of politicians when housing management came back in house, we wanted to develop the service, wider committee colleagues need to understand the amount of compliance related activity, which is not what it should have been, took a lot of our focus and time, and still does.

Director HHWB confirmed the ongoing recruitment, which will support with the compliance aspects. Work still to be done on IT (different systems, telephony, interfaces) with colleagues working together to progress.

SLT noted that the audit report contains limited assurance therefore needs to go to Audit and Accounts Committee that will provide awareness for the Committee that there were issues and those issues have been dealt with now in-house.

Opportunity to put a stake in the ground to establish where we were, where we are at now and what the plans are for the future.

SLT agreed to progress as discussed.