



Civic Centre,
Arnot Hill Park,
Arnold,
Nottinghamshire,
NG5 6LU

Agenda

Audit Committee

Date: **Tuesday 21 March 2017**

Time: **5.30 pm**

Place: **Committee Room**

For any further information please contact:

Lyndsey Parnell

Senior Elections and Members' Services Officer

0115 901 3910

Audit Committee

Membership

Chair Councillor Paul Feeney

Vice-Chair Councillor Bob Collis

Councillor Sandra Barnes
Councillor Chris Barnfather
Councillor Boyd Elliott
Councillor Helen Greensmith
Councillor Viv McCrossen

AGENDA

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MINUTES AUDIT COMMITTEE

Tuesday 13 December 2016

Councillor Paul Feeney (Chair)

Councillor Bob Collis
Councillor Chris Barnfather
Councillor Boyd Elliott

Councillor Helen Greensmith
Councillor Viv McCrossen

Apologies for absence: Councillor Sandra Barnes

Officers in Attendance: L Parnell and M Hill

Also in Attendance: A Ali and C Williams (RSM UK)

15 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS.

Apologies for absence were received from Councillor Barnes, who was substituted by Councillor Creamer.

16 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 20 SEPTEMBER 2016.

RESOLVED:

That the minutes of the above meeting, having been circulated, be approved as a correct record.

17 DECLARATION OF INTERESTS.

None.

18 KPMG ANNUAL AUDIT LETTER 2015-16

The Deputy Chief Executive(Chief Financial Officer) presented the Annual Audit Letter 2015-16 from KPMG, the Council's external auditors who sent apologies for their absence.

RESOLVED:

To note the information.

19 INTERNAL AUDIT REPORTS ISSUED OCTOBER -DECEMBER 2016

The Deputy Chief Executive (Chief Financial Officer) presented a report, which had been circulated prior to the meeting, summarising the outcome of Internal Audit activity for the period October to December 2016.

RESOLVED:

To note the report.

20 FOLLOW-UP OF PREVIOUS AUDIT RECOMMENDATIONS

The Deputy Chief Executive (Chief Financial Officer) presented a report, which had been circulated prior to the meeting, informing Members that no audit recommendations followed-up during the period October – December 2016.

RESOLVED:

To note the report.

21 PRESENTATION BY RSM

The Deputy Chief Executive (Chief Financial Officer) introduced Chris Williams and Amjad Ali from RSM.

The Deputy Chief Executive (Chief Financial Officer) provided Members with information as to the decision to commission RSM to deliver the Council's audit function to meet budget reduction requirements within the service area.

Mr Williams and Mr Ali presented information regarding the company structure, ways of working and future plans for the audit function.

RESOLVED:

To note the information provided.

22 ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT.

None.

The meeting finished at 4.05 pm

Signed by Chair:
Date:



Report to Audit Committee

Subject: KPMG Certification of Grants Annual Report 2015/16

Date: 21 March 2017

Author: Deputy Chief Executive and Director of Finance

1. Purpose of the Report

The Public Sector Audit Appointment requires its external auditors (KPMG) to prepare an annual report on the claims and returns it certifies for each client.

The enclosed letter is KPMG's annual report for the certification work undertaken for 2015/16 at Gedling Borough Council. The report makes two recommendations for improvements to the Housing Benefit Subsidy claim completion process, both of which have been accepted by management for implementation.

2. Recommendation

Members are requested to note the report.

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Private & confidential

Mike Hill
Deputy Chief Executive and Director of
Finance
Gedling Borough Council
Civic Centre, Arnot Hill Park
Arnold
Nottingham
NG5 6LU

Our ref AB/GBC/Grants

Contact Andrew Bush

28 February 2017

Dear Mike

Gedling Borough Council - Certification of claims and returns - annual report 2015/16

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2015/16.

In 2015/16 we carried out certification work on one claim, the Housing Benefit Subsidy claim. The certified value of the claim was £26.9 million, and we completed our work and certified the claim on 30 November 2016.

Matters arising

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Our work identified three errors. In one instance we were able to undertake 100% testing over the respective sub-population for the type of error. This allowed us to amend the claim in line with DWP guidance. For the other two errors we undertook further testing of 40 cases for each type of error, the results of which we summarised in a qualification letter to the DWP.

Our testing identified:

- 1 instance where an underpayment recovered against an overpayment in the same period had been offset incorrectly. While the amount paid to the housing benefit claimant was correct, due to a system error, the Authority incorrectly over claimed £31,382 from the DWP. The Authority has amended the claim for this case. We undertook testing of 40 similar cases, which identified 6 further cases where an overpayment figure had an incorrect offset against it, of which 5 resulted in benefit being overpaid (values between £12 - £332). These cases were reviewed to try and establish the cause of the offsetting errors. At present no conclusion can be drawn apart from a suspected bug within the benefits system used by the authority that affects this issue. This issue was reported in our qualification letter to the DWP.
- 1 instance where an overpayment had been incorrectly classified within the housing benefits form. Further testing of 40 cases identified two further similar errors. This issue was reported in our qualification letter to the DWP.
- 1 instance where an incorrect credit had been applied against a prior year overpayment for a B&B case. We were able to undertake a 100% testing over the respective sub-population which did not identify any further errors.

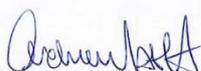
Consequently we have made two recommendations to the Council to improve its claims completion process. There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

In our 2014/15 Certification Annual Report we raised no recommendations.

Certification work fees

Public Sector Audit Appointments set an indicative fee for our certification work in 2015/16 of £10,562. Our actual fee was the same as the indicative fee, and this compares to the 2014/15 fee for this claim of £13,750.

Yours sincerely



Andrew Bush
Engagement Lead

Appendix 1 - Recommendations

Priority rating for recommendations		
<p>High</p> <p>Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p>Medium</p> <p>Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>Low</p> <p>Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

#	Issue	Recommendation	Priority	Comment/ Responsible officer/ Due date
1	<p><u>High value claims</u></p> <p>Our testing highlighted one claim where the Authority was incorrectly claiming £39,935 for a single rent allowance case, due to a system error. The second highest value case was £16,487 and average value rent allowance case was £3,450.</p>	As part of the subsidy closedown process the Authority should sense check audit trail reports and investigate unusually high value claims before finalising the subsidy claim.	Medium	<p>Agreed.</p> <p>Service Manager - Revenues and Welfare Support</p> <p>08/03/2017</p>
2	<p><u>Training</u></p> <p>Housing benefit regulations are inherently complex by their nature. Currently, the Benefits Manager is primarily responsible for compiling the year-end housing benefit subsidy claim, and consequently most of the subsidy experience and knowledge throughout the Authority rests with this individual, with limited knowledge amongst the wider team.</p>	To support the subsidy closedown, key individuals within the Benefits team should be trained in regards to the subsidy element of the housing benefits claim to improve the wider knowledge, and support the Benefits Manager.	Medium	<p>Agreed. We have already briefed the Benefits Manager on this matter. The two Benefits team leaders and the training officer are being included wherever possible throughout the subsidy process. We are aware that there are alternatives e.g. Civica offer a subsidy completion service.</p> <p>Service Manager - Revenues and Welfare Support</p> <p>08/03/2017.</p>

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointments's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Bush, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to andrew.sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London



Report to Audit Committee

Subject: KPMG 2016-2017 External Audit Plan

Date: 21 March 2017

Author: Deputy Chief Executive and Director of Finance

1. Purpose of the Report

The attached report prepared by KPMG, the Council's External Auditor, sets out the External Audit Plan and associated key deliverables in respect of the audit/review and report on the 2016/17 Financial Statements (including the Annual Governance Statement) and the Value for Money Arrangements of the Council.

2. Recommendation

That the Audit Committee receive and accept the KPMG External Audit Plan for 2016/17 and recommends the report to full Council on 26 April 2017.

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External Audit Plan 2016/17

Gedling Borough Council

March 2017

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at £800,000.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £40,000.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Significant changes in the pension liability due to LGPS Triennial Valuation.

Professional standards also require us to consider two standard risks for all organisations, management override of controls and fraudulent revenue recognition.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Disclosure around retrospective restatement of Comprehensive Income and Expenditure (CIES), Movement in Reserves Statement (MiRS) and Expenditure and Funding Analysis (EFA) note from 1 April 2016.

See pages 3 to 5 for more details.

Value for Money Arrangements work



The National Audit Office sets the framework for our VFM audit which is unchanged from the previous year. Our approach is underpinned by an overall criterion in which we consider whether the Authority has in all significant respects, proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have identified one specific area of focus:

- Financial sustainability, including medium term financial planning and the delivery of savings plans. This is relevant to the sustainable resource deployment sub-criterion of the VFM conclusion.

We will update our risk assessment throughout the year and report in our ISA 260

See pages 6 to 10 for more details.

Logistics



Our team is:

- Andrew Bush – Director
- Thomas Tandy – Manager
- Arvinder Khela – Assistant Manager

More details are on **page 13**.

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 12**.

Our fee for the audit is £42,570 (£42,570 2015/2016) see **page 11**.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement)*: Providing an opinion on your accounts; and
- *Use of resources*: Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Approach

Our approach to the audit is based on understanding and assessing the Authority's structures and processes for decision-making, accountability, control and behaviours. In addition, we identify and assess potential weaknesses and those risks that can affect the financial statements. We then carry out audit procedures to address any identified risks and weaknesses. We assess where is the greatest risk for misstatement and how effective internal controls are at mitigating these risks.

Reporting and Communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team is accountable to you in addressing the issues identified as part of the audit strategy.

Our key formal interactions with management and the Audit Committee are summarised in Appendix 1. Throughout the year we will communicate with you through meetings with the Finance Department, Senior Management and Audit Committee.

If any significant issues arise we will report to management and the Audit Committee at the earliest opportunity.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 and the findings of our VFM risk assessment.



Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial statements audit planning



Financial Statements Audit Planning

Our planning work takes place during December 2016 to February 2017. This involves the following key aspects:

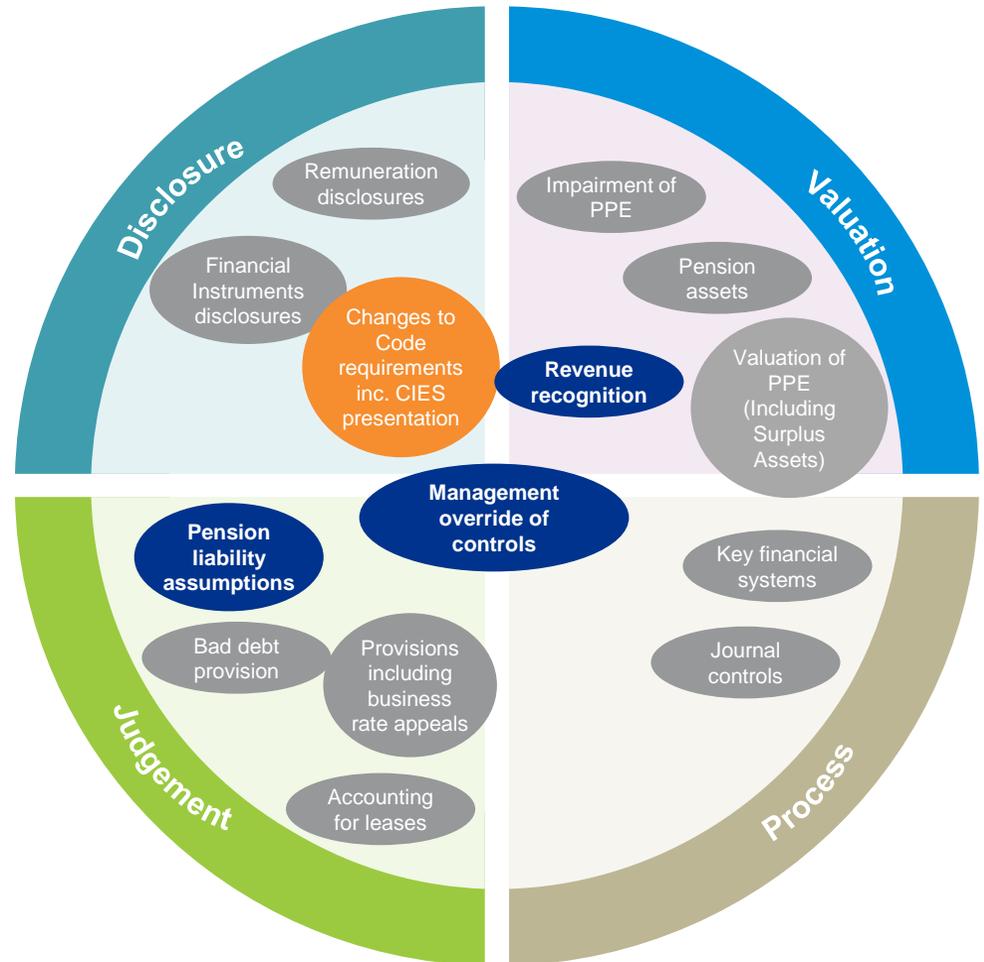
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk: Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Local Government Pension Scheme for Nottinghamshire County (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Nottinghamshire County Council, who administer the Pension Fund.

Approach:

As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.

We will also liaise with the KPMG Audit team that audits the Pension Fund, with regard to the data provided to the Actuary on the Authority's behalf to check the completeness and accuracy of such data.

Other areas of audit focus

These are those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Disclosure associated with retrospective restatement of CIES, EFA and MiRS

CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The key objective of this project was to make Local Government accounts more understandable and transparent to the reader in terms of how councils are funded and how they use the funding to serve the local population. The outcome of this project has resulted in two main changes in respect of the 2016-17 Local Government Accounting Code (the Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note.

As a result of these changes, retrospective restatement of the CIES (cost of services), EFA and MiRS is required from 1 April 2016 in the Statement of Accounts. The new disclosure requirements and the restatement of the accounts require compliance with relevant guidance and the correct application of applicable Accounting Standards. Though less likely to give rise to a material error in the financial statements, this is an important material disclosure change in this year's accounts that we will need to review.

Approach

We will liaise with the Authority's Finance team regarding the new requirements and agree the new disclosures, including the restatement of the prior year comparators.



Financial statements audit planning (cont.)

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £800,000 for the Authority's accounts. This equates to 1.54% of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

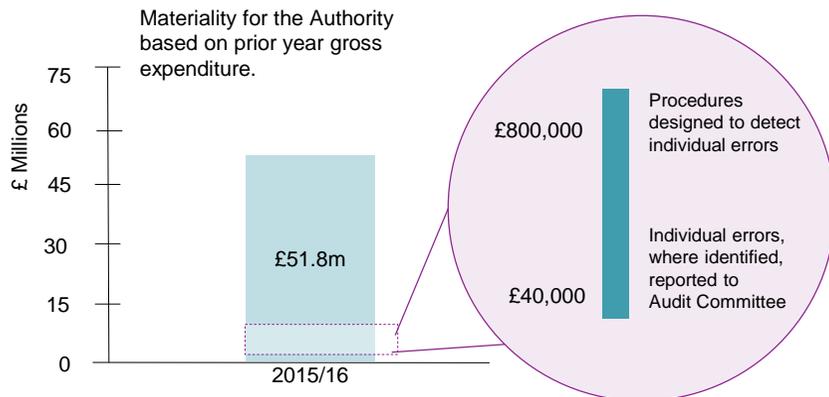
Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £40,000.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Value for money arrangements work

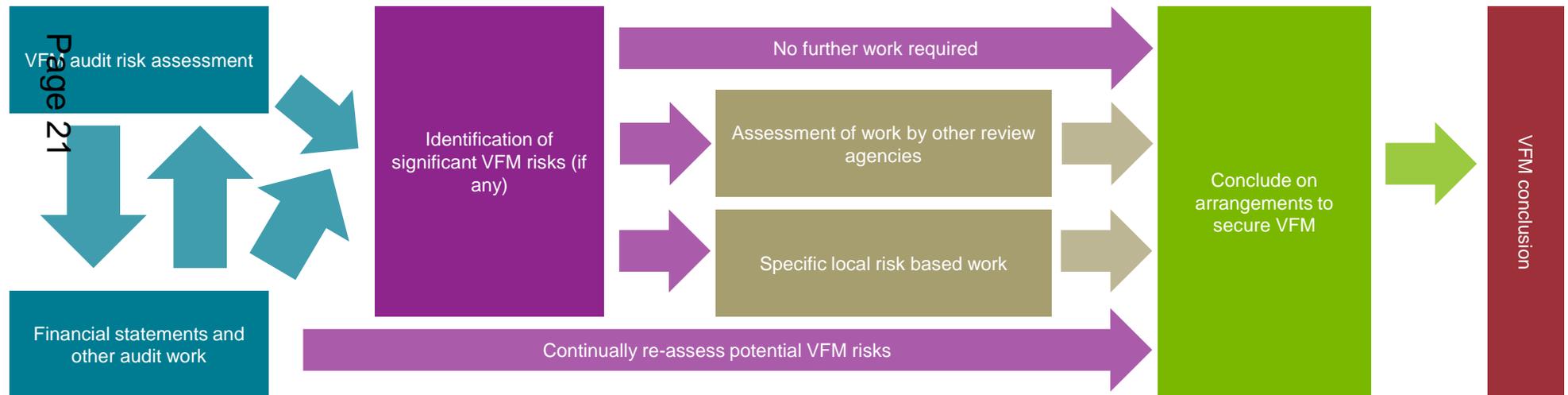


Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)



VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work Page 23	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.



Value for money arrangements work (cont.)

VFM audit stage	Audit approach
Assessment of work by other review agencies and Delivery of local risk based work	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none">■ Meeting with senior managers across the Authority;■ Review of minutes and internal reports;■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
Concluding on VFM arrangements Page 24	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
Reporting	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Risk: Financial sustainability, including medium term financial planning and the delivery of savings plans.

The Authority continues to face medium term financial pressures, a combination of reduced funding and cost pressures. As reported in the Gedling Plan 2016-19, the Authority has accepted a four year funding settlement, along with 97% of other local authorities. The funding settlement outlines the income the Authority will receive from the Revenue Support Grant and Business Rates. The settlement sets out a £1.9m cash reduction for the Authority over the four years. There will also be further reduced funding from the New Homes Bonus.

To help manage these cost pressures the Authority implemented an Efficiency/Budget Reduction Programme in 2014-15, designed to deliver savings of c.£2.5m by 2018/19. Furthermore, the Authority approved a new efficiency target of £1.15m for the period 2017/18 to 2020/21.

Approach:

We will undertake the following procedures over this significant risk:

- Review the delivery of the Authority's savings programme;
- Review the delivery of the saving plans including any actions taken by the Authority where savings are achieved in line with the plan;
- Consider the Authority's main income streams and the impact the December Local Government Settlement has on these, and how the Authority is working to mitigate the corresponding risks to service delivery; and
- Evaluate the arrangements the Authority has in place in identifying further savings for future years.

Other matters

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Andrew Bush. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the Finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

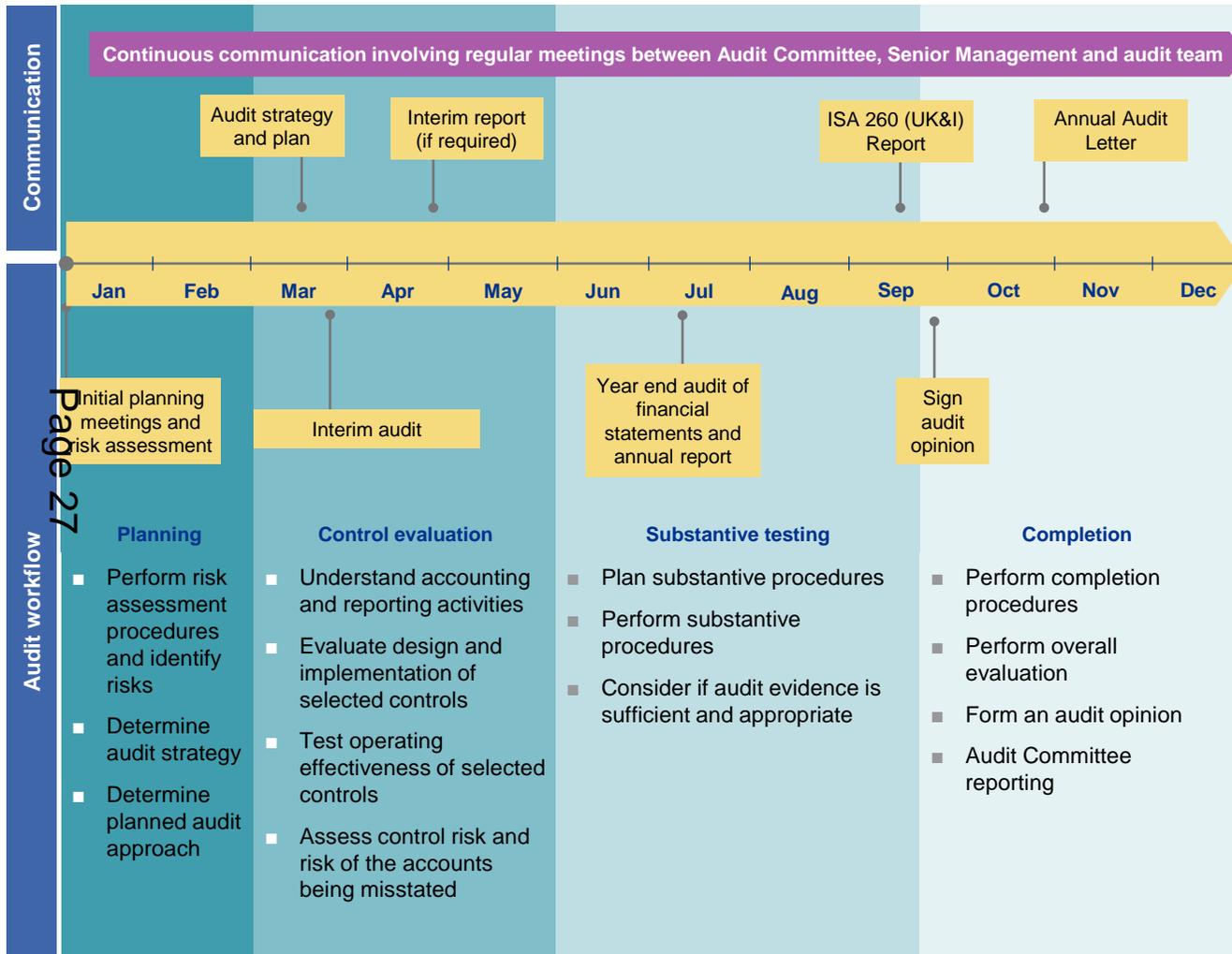
Audit fee

Our Audit Fee Letter 2016/2017 presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2016/17 is £42,570 (£42,570 2015/2016).

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

Appendix 1: Key elements of our financial statements audit approach



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around accounts payable. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department.



Name	Andrew Bush
Position	Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit Committee and Chief Executive.'</p>

Andrew Bush
 Director
 +44 115 935 3560
 andrew.bush@kpmg.co.uk



Name	Thomas Tandy
Position	Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Andrew and the team to ensure we add value.</p> <p>I will liaise with the Deputy Chief Executive and Director of Finance and other Corporate Directors.</p>

Thomas Tandy
 Manager
 +44 115 945 4480
 thomas.tandy@kpmg.co.uk



Name	Arvinder Khela
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

Arvinder Khela
 In Charge
 +44 121 609 5880
 arvinder.khela@kpmg.co.uk

Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of March 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Tony Crawley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to andrew.sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



Report to Audit Committee

Subject: Summary of Internal Audit Activity – GBC In-House Service

Date: 21 March 2017

Author: Deputy Chief Executive and Director of Finance

1. Purpose of the Report

To summarise the outcome of the internal audit activity completed by the GBC in-house internal audit team for the period July to March 2017.

2. Background

The internal audit plan 2016/17 was approved by Audit Committee on 22 March 2016 and seven reviews were allocated to the in-house audit team. Two reports were finalised and reported to this Committee in June 2016. This report now provides a summary update on all the final reports issued by the GBC in-house internal audit team in the period July to March 2017 and highlights associated key findings and any concerns identified in any work in progress.

3. Proposal

3.1 Reports Considered at this Audit Committee

The following reports have been finalised for the period July – March 2017:

- IAR1617-03 Banking
- IAR1617-04 Follow-up Standby and Callout Policy
- IAR1617-05 Lending and Borrowing
- IAR1617-15 Member Disbursements
- IAR1516-16 Officer Disbursements

This work concludes the planned audit work for the in-house team for 2016/17.

3.2 The report findings are summarised below:

3.2.1 **IAR1617-03 Banking**

Conclusion: Substantial Assurance

Impact on Audit Opinion: Positive

As a result of the testing undertaken 2 low priority findings were identified.

Management actions were agreed in respect of the findings.

3.2.2 **IAR1617-04 Follow-up Standby and Callout Policy**

Conclusion: Reasonable Assurance

Impact on Audit Opinion: Positive

As a result of the testing undertaken 4 findings were identified: 3 medium and one low priority.

Management actions were agreed in respect of the findings.

The medium findings related to:

- This review completed the follow-up of the previously issued 2013/14 Standby and Callout Policy report which provided limited assurance with respect to the corporate application of the policy and identified five medium risk and two low risk findings.

The follow up review identified that three of the previous medium priority findings had not been implemented, specifically relating to the update of the corporate policy and a specific cost benefit review of payment in the housing needs service. The follow-up review therefore now provides Reasonable assurance and recommends that a new corporate policy for governing the application and payment of standby and callout is completed by the Service Manager, Organisational Development by September 2017 to address the issues raised.

3.2.3 **IAR1617-05 Lending and Borrowing**

Conclusion: Substantial Assurance

Impact on Audit Opinion: Positive

As a result of the testing undertaken 1 low priority finding was identified.

Management actions were agreed in respect of the findings.

3.2.4 **IAR1617-15 Member Disbursements**

Conclusion: Substantial Assurance

Impact on Audit Opinion: Positive

As a result of the testing undertaken no findings were identified.

No Management actions were required.

3.2.5 **IAR1617-16 Officer Disbursements**

Conclusion: Substantial Assurance

Impact on Audit Opinion: Positive

As a result of the testing undertaken 1 low priority finding was identified.

Management actions were agreed in respect of the findings.

4. Resource Implications

The internal audit plan is delivered within the approved budgets.

5. Recommendation

Members are requested to note the report.

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GEDLING BOROUGH COUNCIL

Internal Audit Progress Report

Audit Committee

21 March 2017

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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2 Reports considered at this Audit Committee..... 3

3 Looking ahead..... 7

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As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management’s responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any party other than the Council which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person’s reliance on representations in this report.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

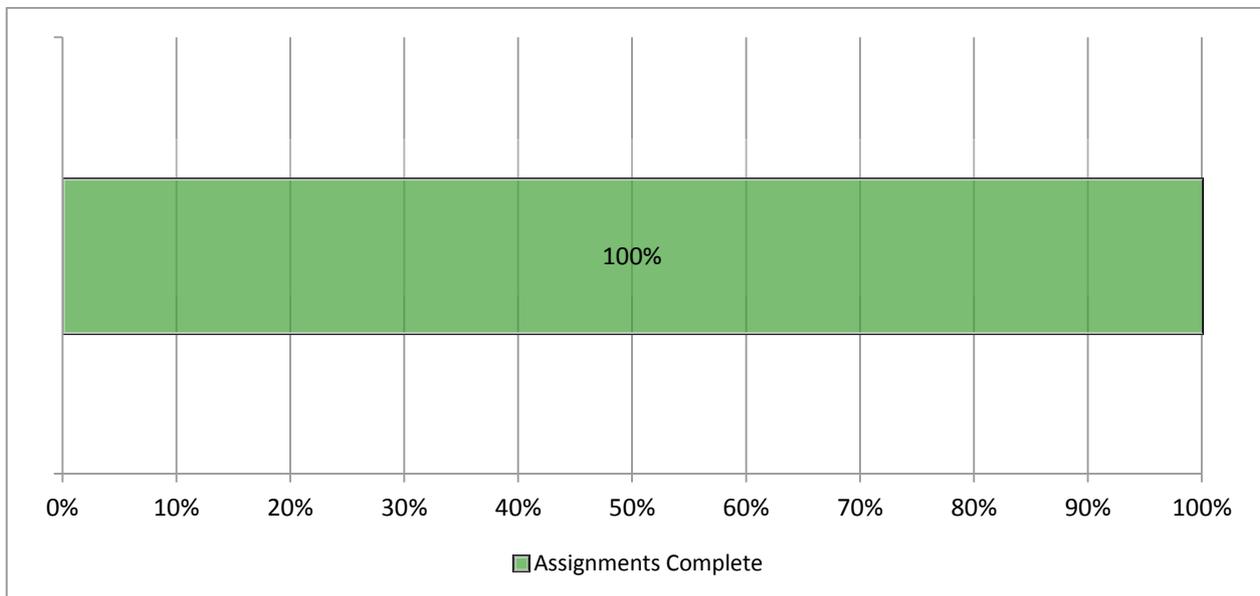
We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 INTRODUCTION

The internal audit plan 2016/17 was approved by the Audit Committee on 22 March 2016; RSM were allocated a total of seven planned reviews.

This report provides a summary update on progress against the planned reviews and summarises the results of our work to date. Please see chart below for progress against the plan.



2 REPORTS CONSIDERED AT THIS AUDIT COMMITTEE

This table informs of the audit assignments that have been completed since the last Audit Committee. The Executive Summary and Key Findings of the assignments below are attached to this progress report.

Assignment	Status	Opinion issued	Actions agreed		
			L	M	H
Debtors (1.16/17)	Final		6	0	0
Payroll (2.16/17)	Final		1	1	0
Creditors (3.16/17)	Final		2	0	0
NNDR (4.16/17)	Final		1	2	0
Council Tax (5.16/17)	Final		1	2	0
Housing Benefits (6.16/17)	Final		5	1	0

2.1 Impact of findings to date



Debtors (1.16/17)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken six low priority findings were identified.

Management actions were agreed in respect of the findings.



Payroll (2.16/17)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken two findings were identified; one medium and one low priority.

Management actions were agreed in respect of the findings.

The medium finding related to:

- Our testing of new starters identified that photocopies of UK Passports are being retained on file as part of the evidence gathered to confirm an employee's identity, however it was noted that permission was not obtained from the passport holder to do so. This is not consistent with the advice from the National Archives which states provided permission is obtained from the passport holder, a copy may be taken and retained on file.
-



Creditors (3.16/17)

Conclusion: Reasonable Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken two low priority findings were identified.

Management actions were agreed in respect of all the findings.



NNDR (4.16/17)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken three findings were identified; two medium and one low priority.

Management actions were agreed in respect of all the findings.

The medium findings related to:

- For a sample of 20 void/ empty properties, testing identified that in five cases a void inspection had not been undertaken on a quarterly basis.
 - For the period April to October 2016 testing confirmed that the reconciliations were carried out between 26 and 85 working days after the month end.
-



Council Tax (5.16/17)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken three findings were identified; two medium and one low priority.

Management actions were agreed in respect of all the findings.

The medium finding related to:

- The Councils Fair Collection and Debt Recovery Policy was last subject to review in November 2011.
 - For the period July to September 2016, we identified that the reconciliations were carried out on 22 November 2016.
-



Housing Benefit (6.16/17)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken six findings were identified; one medium and five low priority.

Management actions were agreed in respect of all the findings.

The medium finding related to:

- Our sample testing of 12 payment runs processed in the three month period prior to the audit identified that there is currently no segregation between the Team Leader who can process claims and who prepares the payment files for payment, or the member of staff who authorises the payment and sends the BACS file.
-

3 LOOKING AHEAD

Assignment area	Planned commencement date	Status
Financial Management System (7.16.17)	13 February 2017	Draft Report Issued

OTHER MATTERS

3.1 Changes to the audit plan

There have been no changes to the audits assigned to RSM.

3.2 Information and briefings

We have not issued any further briefings.

FOR FURTHER INFORMATION CONTACT

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DEBTORS - EXECUTIVE SUMMARY

Introduction

An audit of Debtors was undertaken as part of the approved internal audit periodic plan for 2016/17.

The Council's debtors function is currently under review to assess whether the Council's existing debt collection processes are robust. As part of this review the Council is exploring all viable avenues and options to recover debt including using County Court Judgements (CCJs) as opposed to debt collection agencies.

At present the Civica system is used by the Council for its accounts receivable functions. The system is backed up on a daily basis and backup tapes are kept securely to enable recovery of system data if required.

Individual departments are able to raise invoices on the system based on services provided. Credit notes are processed by the Debtors Team following receipt of an appropriately authorised invoice cancellation form.

Procedures for chasing overdue income are in place and are used by the Team. When invoices remain unpaid, reminder letters and subsequent reminder letters are sent to debtors in line with the procedure. Where a debt has not been recovered following recovery action, debt collection agencies are used by the Council. Bad debts are only written off once all recovery avenues have been exhausted and will be processed and authorised in line with the Council's Financial Regulations.

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	6

The detailed findings and associated recommendations are provided in the second part of this report. The main findings are detailed below:

- We noted that the Councils Procedure notes in relation to Sundry Debtors have not been updated since 2012 (*reiterated from last year*).
- Testing a sample of 15 employees with access to the debtors system identified one instance where access to the Civica System had not been suspended during the employee's maternity leave.
- Testing a sample of 15 aged debtors found that in one instance recovery action had not been undertaken promptly.
- From our testing of write offs we found that all write offs had been authorised appropriately but had not been actioned/written off on the system until a month after the authorisation.
- Review of the monthly account receivable to the general ledger reconciliations found that they had not been completed and reviewed in a timely manner for April, June and July 2016 (*reiterated from last year*).

- The Council has no specific KPI's in terms of debtor performance (*reiterated from last year*).

Follow Up

Three low recommendations were raised as part of the 2015/16 Debtors audit. None of the three recommendations have been implemented and these have been reiterated in this report; these are:

- Ensuring Sundry Debtor Administration procedures notes are reviewed and maintained up to date;
- Ensuring that reconciliations are prepared and reviewed in a timely manner following the month end; and
- Identifying and introducing KPI's in terms of debtor performance

Assurance Statement

Internal Audit can provide **Substantial Assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

INTRODUCTION

Objective & Scope

The purpose of the audit review was to ensure that all income due to the Council is recorded in the accounting system and that controls are in place to monitor and reduce levels of outstanding debt.

The control areas included within the scope of the review are:

- Procedural documentation and training
- Compliance with Financial Regulations and internal procedures
- Access to the accounts receivable system and system back-ups
- Staff training
- Processing of invoice request forms and raising of invoices
- Creation of debtor accounts
- Allocation of associated payments and updating of the debtor accounts
- Debt recovery actions and issue of reminders
- Identification and Approval of monies for write off
- Updating of debtor accounts
- Reporting and reconciliations
- Accounting for debt and reporting
- Month end reconciliations
- Reporting to Finance Committee / Board

The following limitations to scope of the audit were agreed when planning the audit:

- Our work will not provide assurance that the organisation has identified all debts / monies owed to it
- We will not consider the suitability of wording used in credit control letters;
- We will not consider the effectiveness of credit control actions taken, only whether actions have been taken
- We will not consider the procedures or performance of any third party debt management contractors used
- We will not substantively re-perform reconciliations
- Testing will be completed on a sample basis from transactions within the current financial year
- Our work does not provide absolute assurance that material error; loss or fraud does not exist.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the Authority's objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

PAYROLL - EXECUTIVE SUMMARY

1.1 Background

We carried out an audit of Payroll processing as part of the agreed internal audit plan for 2016-17.

The Council's payroll is managed using the 'Resource Link' System provided by Northgate, which has been in place for a number of years. 'Resource Link' is an integrated system, including both a Human Resources and a Payroll module. Standard forms have been developed for use by staff members, including new starter and leaver forms. The majority of the Council's employees have access to 'My View', providing electronic access to payslips and allowing amendments to personal details to be processed as and when required. Segregation of duties is maintained, with forms authorised by an appropriate officer prior to arrival in the Payroll function and data input onto the Payroll System reviewed by an independent officer. In addition, full details of all new starters and leavers is provided by the Personnel Manager and payroll processing staff take no part in the personnel function. The average number of employees processed each month is 639.

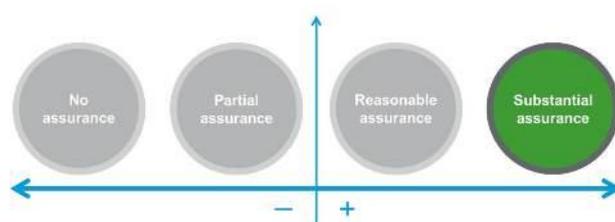
The Payroll function is overseen by the Senior Assistant Accountant (Exchequer Management) with the day-to-day processing carried out by the Assistant Accountant (Payroll Management) and the Payroll Assistant.

1.2 Conclusion

Our audit testing confirmed that an established procedure is in place which results in accurate and timely payroll processing. Our testing of payroll outputs, including exception reports and BACS authorisations confirmed that there is an appropriate review process that ensures segregation of duties and independent authorisation of the completed payroll. We have raised two management actions as a result of this review, with one action being 'Medium' priority and the other; 'Low' priority.

Internal Audit Opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Access to the Northgate Payroll & HR system is restricted by password to authorised personnel only;
- A Payroll processing timetable is in place which sets out when each payroll should be paid and the key processing dates which must be achieved in order to meet the target date;
- A payroll checklist has been established documenting key tasks to be completed during each payroll run;
- Payslips are no longer printed and staff use the self-serve facility to view their payslips on-line;
- The Council has appropriate policies and procedures in place to manage all elements of payroll operations; and

- An exception report is produced each month which identifies any variances in the current payroll, compared to the previous month. All variances are investigated and explained. If necessary, a correction is made prior to the BACS payments being processed.

However, we identified the following control weaknesses and as a result, we have raised one 'Medium' and one 'Low' priority management actions:

- When testing new starter's payroll files to confirm that all required data was present, we also noticed that photocopies of UK Passports are being retained on file as part of the evidence gathered to confirm an employee's identity, however permission was not obtained from the passport holder before a copy of the passport was obtained for the file.
- Our audit testing identified a small number of new starter and leavers notification forms that were signed and authorised but we not dated by the authorising officer.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Policies and Procedures	0 (6)	0 (6)	0	0	0
Starters and Leavers	0 (6)	2 (6)	1	1	0
Amendments and Deductions	0 (6)	0 (6)	0	0	0
Payment process and management information reporting.	0 (10)	0 (10)	0	0	0
Total			1	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 ACTION PLAN

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Starters and Leavers					
1	Our testing of new starters identified that photocopies of UK Passports are being retained on file as part of the evidence gathered to confirm an employee's identity, however it was noted that permission was not obtained from the passport holder to do so. This is not consistent with the advice from the National Archives which states provided permission is obtained from the passport holder, a copy may be taken and retained on file.	Medium	We will make mention somewhere in the most appropriate letter used at the point of recruitment that we will retain copies of documents (including passports) as a method of confirming identity unless the new starter expressly asks that this is not done (in which case we will make of a note of the number and the issue date).	31 March 2017	Service Manager – Organisational Development

CREDITORS - EXECUTIVE SUMMARY

1.1 Background

An audit of Creditors was undertaken as part of the periodic plan for 2016/17.

The Council uses the Agresso System to process supplier orders and associated payment transactions. This system was upgraded in February 2016 to version Agresso, Milestone 5 with all existing data migrated to the new version.

An authority structure of delegated levels is held within the Milestone 5 Agresso system which details the entire processing and approvals hierarchy. This ensures that each stage of the procurement process, including the authorisation of purchase orders and supplier invoices is independently reviewed and approved by line managers and budget holders acting in accordance with their delegated authority.

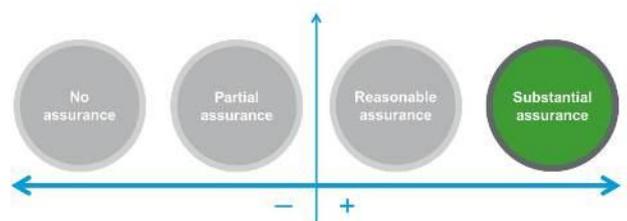
A payment run takes place three times a week with suppliers paid either via BACS or via cheque. As part of the payment run process the creditors' sub-ledger and the General Ledger are reconciled. At the time of the audit, in November 2016, the Council had raised 2,385 purchase orders from April 2016 with a total value of £5,188,911.11.

1.2 Conclusion

Our review identified that the systems and controls in place are adequate for the ordering, receipt and payment of goods. However, we have identified two areas for improvement which require management attention, resulting in two 'low' priority management actions being raised.

Internal Audit Opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the Council relies to manage the identified areas are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

From the discussions held with key staff in conjunction with sample testing, we found many of the controls upon which the Council rely to manage the risk are suitably designed, consistently applied and are operating effectively. These include:

- Financial Regulations and specific procedural guides are in place and are maintained up to date. The documents are available to all relevant members of staff;
- An electronic authorised signatory list is in place which is maintained up to date;
- All staff within the accounts payable department have had training on how to use the Milestone 5 Agresso System;
- Testing a sample of 15 BACS payments found that all were completed appropriately and authorised with no discrepancies identified;

- Testing a sample of 15 cheque payments found that all were appropriately approved for payment;
- Testing a sample of 15 new suppliers found that in all instances the new supplier was set up appropriately and all supporting documentation was on file;
- Testing a sample of 15 supplier bank changes found that in all instances there was supporting documentation on file to evidence the change; and
- Performance indicators are in place for the monitoring of creditor payments made within 30 day and 10 days.96.68% of invoices were paid within 10 days between July 2016 to September 2016 and for the same period 99.27% of invoices were paid within 30 days

However, we identified weaknesses and as a result, we have raised two 'low' priority management actions, which are agreed with management:

- Testing a sample of 20 paid invoices found that in one instance the purchase order had not been raised in line with the Financial Regulations as the purchase order was raised retrospectively. By not raising purchase orders in line with the Financial Regulations there is a risk that the Council is committed to unauthorised expenditure.
- Testing a sample of 20 paid invoices (17 purchase orders and three non-purchase orders) found that in eight out of 17 instances good were received after the invoice had been received. By not acknowledging the good received promptly there is a risk that invoices are being paid before the goods have been received.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Policies and Procedures	0 (5)	0 (5)	0	0	0
Purchasing and Payments	0 (11)	2 (11)	2	0	0
Management reporting	0 (3)	0 (3)	0	0	0
Total			2	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

NNDR - EXECUTIVE SUMMARY

1.1 Background

An audit of National Non Domestic Rates (NNDR) was completed as part of the approved internal audit plan for 2016/17.

The Local Taxation team are responsible for the administration of all hereditaments eligible to pay NNDR in the Borough. The team use the Civica system to maintain customer accounts, payments history and for the retention of all electronic documentation relating to an account. Recovery is undertaken on a regular basis and accounts failing to pay will be subject to the Council's recovery procedures. Debts which remain unpaid and irrecoverable will be subject to write off in accordance with the Council's write off authorisation process.

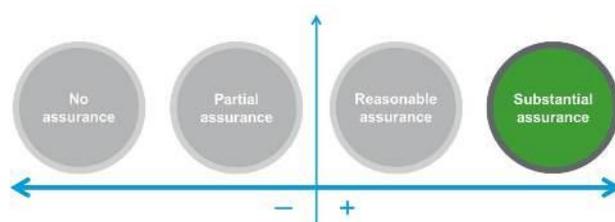
The estimated NNDR value to be collected for 2016/17 equates to £22.5million. Performance against the estimated collection target is monitored on a monthly basis and as of the end of September 2016 the Council had collected £13million (56.16%) of the current financial year's liability, which is in line with target. The overall target for the current financial year is to have collected 98.9%.

1.2 Conclusion

Our overall opinion was formed by undertaking interviews with key staff, analysing the control framework and sample testing on the Council's processes in place to ensure accurate and timely billing and collection of NNDR. We identified three instances where controls were not being complied in relation to void properties, segregation of duties and reconciliations. As a result, we have agreed three management actions, two medium priority and one low priority actions to help mitigate the risks associated with the control weaknesses identified.

Internal Audit Opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

Comprehensive procedure notes are provided for all NNDR staff. These are subject to periodic review to ensure that they remain up to date.

Access to the Civica system is restricted to key personnel. The system is password controlled and staff are prompted to change their passwords on a quarterly basis.

Information is passed from the planning system to NNDR section identifying all new non domestic building applications. This is then recorded onto the system to enable the team to monitor the progress with the building works and when to commence charging business rates.

Annual billing takes place before 14th March each year to allow sufficient notice for the first instalment to fall due on 1st April. At annual billing a sample of bills are checked to confirm that they are appropriate, prior to being issued.

NNDR income is accurately recorded by the cash office and posted to the correct individual account on a daily basis. Online payments, bank payments, debit card payments are also posted to the correct account on a daily basis. Twice daily, files containing all NNDR payments received are extracted from the Income system and imported into Civica. A three-way reconciliation is performed to ensure that the value received within the income system corresponds to the total of that imported into Civica, and then this also balances to the total of posting to NNDR accounts and into suspense.

However, we have agreed two medium and one low priority management actions pertaining to the application and compliance with control framework:

Through testing we found five instances where void inspections had not taken place in line with the documented inspection schedule to identify where charges may be applicable, the Council's exposure to financial loss is increased.

Staff with access to the Civica system are required to complete a declaration of interests each year. Testing found one instance where a staff member had not signed the declaration. Without doing so, there is an increased risk of fraud occurring as a result of inappropriate activity on liable accounts.

Reconciliations between April and October 2016 were carried out between 26 and 85 working days after the month end. Such a delay in the preparation of reconciliations increases the risk that that errors may not be identified and resolved on a timely basis, which could result in financial loss.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Policies and Procedures	0 (3)	0 (3)	0	0	0
Identification of New Properties /Businesses	0 (3)	0 (3)	0	0	0
Void Properties	0 (1)	1 (1)	0	1	0
Billing Methods and Payment Collection	0 (4)	0 (4)	0	0	0
Posting of Payments	0 (1)	0 (1)	0	0	0
Recovery and write offs	0 (3)	0 (3)	0	0	0
Suspense Accounts	0 (1)	0 (1)	0	0	0
Access to Property Database	0 (1)	0 (1)	0	0	0
Refunds for overpayments and adjustments	0 (1)	0 (1)	0	0	0
Segregation of duties	0 (2)	1 (2)	1	0	0
Reconciliations	0 (5)	1 (5)	0	1	0
Management reports	0 (2)	0 (2)	0	0	0
Total	0	3	1	2	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 ACTION PLAN

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Void Properties					
1	For a sample of 20 void/empty properties, testing identified that in five cases a void inspection had not been undertaken on a quarterly basis. Where void inspections are not undertaken, the Council may not be able to identify if the properties have been occupied resulting in a loss of income for the Council.	Medium	The delay with the void inspections was due to the Local Inspector being on long term sick. The Local Inspector is currently on a phased return to work and inspections will be carried as required.	31 March 2017	Service Manager Revenues
Area: Reconciliations					
3	For the period April to October 2016 testing confirmed that the reconciliations were carried out between 26 and 85 working days after the month end. There is a risk the where reconciliations are not undertaken on a timely basis that errors may not be identified and resolved on a timely basis.	Medium	Each month the reconciliation of the cash received values on Civica and the cash receipting values on the Financial Management System (Agresso) will be undertaken soon after the month end.	31 December 2016	Service Manager Revenue

COUNCIL TAX - EXECUTIVE SUMMARY

1.1 Background

An audit of Council Tax was undertaken as part of the approved internal audit periodic plan for 2016/17.

The Council Tax team are responsible for the administration of all properties eligible to pay Council Tax in the Borough. The functions of the team include billing, collection and recovery of Council Tax. The department uses the Civica system to record revenues and benefits transactions. A workflow system is also utilised

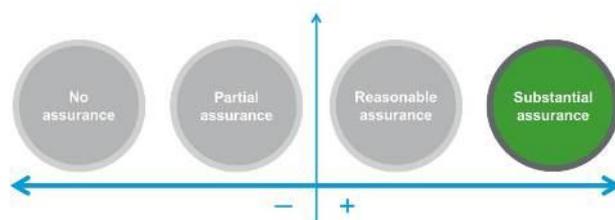
At the time of the audit, there were circa 52,500 properties within the borough subject to a Council Tax charge. The estimated Council Tax to be collected for 2016/17 equates to £62million. Performance against the estimated collection target is monitored on a monthly basis and as of the end of September 2016 the Council had collected £35million (56.58%) of the current financial year's liability which is in line with target. The overall target for the current financial year is to have collected 98.50%.

1.2 Conclusion

Our overall opinion was formed by undertaking interviews with key staff, analysing the effectiveness of the control framework and sample testing on the Council's processes in place to ensure accurate and timely billing and collection of Council Tax. We identified three instances where controls were not being complied in relation to policies and procedures, new accounts and identifying liability and reconciliations. As a result, we have agreed three management actions, two medium priority and one low priority, to mitigate the risks associated with the control weaknesses identified.

Internal Audit Opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

Procedure notes are in place for all day to day processes undertaken by the Revenues team with regards to Council Tax. These are subject to periodic review and are available to all relevant members of staff.

Members of staff who reside in the Borough do not have access to view or amend their own accounts. In addition, access to accounts in which the employee declares an interest is blocked in the system for each employee.

On a weekly basis, a Council Tax property band report from Civica is produced and reconciled to the Valuation Office (VO) schedule (received by email). All amendments notified by the VOA are actioned in Civica.

Discounts, disregards and exemptions are applied to properties based on the receipt of relevant application / supporting evidence. Discounts are subject to review on a regular basis to confirm that the person remains eligible to receive the discount. All empty properties liable for Council Tax are inspected at least three times a year by the Local Tax Inspector.

Annual billing takes place before 14th March each year to allow sufficient notice for the first instalment to fall due on 1st April. Demand Notices are issued in a standard format and detail all relevant information as required by legislation.

However, we have agreed two medium and one low priority management actions pertaining to the application and compliance with control framework:

The Councils Fair Collection and Debt Recovery Policy has not been subject to review in the last five years. Any changes in processes or legislation will not be captured within this policy and as a result incorrect recovery processes may be followed.

New accounts and any work item are set up on the system within 14 days of liability being identified. Through testing, we identified a number of instances where work flow items had not been dealt with within this target. As a result, this increases the risk that liabilities are not being identified and actioned in a timely manner, subsequently increasing the Council's exposure to incurring financial loss.

For the period July to September 2016, we identified that all reconciliations were carried out on 22 November 2016. Without preparing reconciliations in a timely manner, there is a risk that errors may not be identified and resolved on a timely basis.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Policies and procedures	0 (4)	1 (4)	0	1	0
New accounts and identifying liability	0 (3)	1 (3)	1	0	0
Banding rates	0 (3)	0 (3)	0	0	0
Voids, discounts and exemptions	0 (1)	0 (1)	0	0	0
Billing and payments	0 (11)	0 (11)	0	0	0
Reconciliations	0 (3)	1 (3)	0	1	0
Management reporting	0 (1)	0 (1)	0	0	0
Total			1	2	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 ACTION PLAN

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Policies and procedures					
1	The Councils Fair Collection and Debt Recovery Policy was last subject to review in November 2011. As such, it may not be relied upon to provide the most up to date guidance on the recovery processes.	Medium	The Fair Collection and Debt Recovery Policy will be reviewed and updated next year.	30 June 2017	Service Manager Revenues
Area: Reconciliations					
3	For the period July to September 2016, we identified that the reconciliations were carried out on 22 November 2016. There is a risk the where reconciliations are not undertaken on a timely basis, errors may not be identified and resolved on a timely basis	Medium	Each month the reconciliation of the cash received values on Civica and the cash receipting values on the Financial Management System (Agresso) will be undertaken soon after the month end.	31 December 2016	Service Manager Revenues

HOUSING BENEFITS - EXECUTIVE SUMMARY

1.1 Background

An audit of Housing Benefits was undertaken as part of the approved internal audit periodic plan for 2016/17. This review is undertaken annually with the objective of ensuring that benefits are processed on an accurate and timely basis, leading to accurate payments made to claimants.

Housing benefits are in place to help low income families cover their rent and are paid monthly, usually directly to the claimant. Gedling Borough Council has received 1,456 new claims since April 2016 and currently has a total of 5,904 active claims. The Council uses the Civica system to process and manage claims.

The Council is increasingly receiving its new claim applications electronically through a form on the website which automatically populates Civica. Supporting documentation is then obtained from the applicant, such as proof of income, and are assessed for eligibility by the Housing Benefits team. New claims are selected randomly by Civica to undergo a quality review process. Changes in circumstances are notified to the Council in a number of ways, including data sharing with other government bodies, and updated on Civica.

Overpayments are identified each month, and recovered through an existing benefit payment where possible, or else referred to the Councils Sundry Debtor team for recovery or eventual write off.

Key Performance Indicators (KPIs) are monitored on a monthly and quarterly basis, such as average time taken to process a new claim, which was 13 days as at Q3 against a target of 12 days, and the average time taken to process a change in circumstances. Q3 performance was four days, which is in line with target.

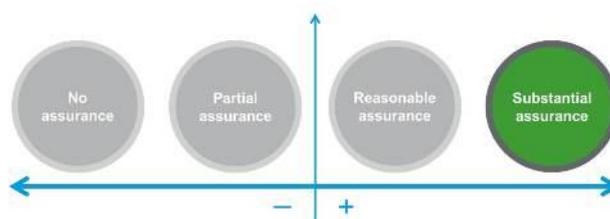
1.2 Conclusion

Following sample testing of transactions undertaken in the last three months, interviews with staff and system walkthroughs, we have identified one medium and five low priority findings, and management have provided a rectifying action for each. All six findings relate to weaknesses or inconsistent application of the existing control framework.

The medium priority finding relates to a lack of segregation of duties in the benefits payment process. This was identified during the 2015/16 audit of Housing Benefits, but sample testing identified that the action agreed at that time had yet to be implemented.

Internal audit opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified risks are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

Policies and procedures are in place to support the key processes undertaken by the Housing Benefits team. These are up to date, reflect actual practice and are readily available to all staff and the public. Training is provided to Housing Benefits staff when new legislation or changes to benefit rules are released.

Access to Civica is restricted to those staff with a business need, and sample testing of 15 current users confirmed all were still in employment within the Council. Declarations of interest are completed each year by all staff with a Civica account, and any accounts in which an interest was declared (including their own) is blocked. Review of the same sample of 15 Civica accounts found a declaration of interest had been completed by 14 for 2016/17, with the remaining being on long term absence at the time of the 2016/17 declarations being completed.

A Civica walk through confirmed that the 2016/17 benefit parameters had been correctly applied.

Sample testing of 15 new claims awarded in the last three months confirmed that all had been processed in line with policy and had the appropriate supporting evidence on file. We also tested a sample of 15 changes in applicants' circumstances and confirmed all had been processed accurately and in a timely manner.

Testing of a sample of 15 Discretionary Housing Payments awarded in 2016/17 found that all had been awarded in line with the Councils policy, and had been paid at the approved value.

We confirmed that each member of the Benefits team has a set percentage of their claims quality reviewed by the Technical Officer. The results of this feed in to each Officers development and annual performance review.

Testing of a sample of 15 overpayments which could not be recovered and had therefore been written off, confirmed that all had been written off in Civica after the required approval had been received.

Sample testing of the last five months confirmed that a reconciliation is performed each month between Civica, the Council Tax module of Civica, and the Councils general ledger. All reconciliations were subject to independent review, and evidence of the investigation of discrepancies was on file. We also tested all 12 Housing Benefit payment runs performed in the last three months, and confirmed that all pre-payment values corresponded to those uploaded to the BACS system and then ultimately paid. We have raised a medium priority finding with regards the lack of segregation of duties within the payment process, as currently, the same member of staff is responsible for the whole process, and no independent checks or authorisations are required.

KPIs are monitored both on a monthly and quarterly basis, which are reported to the Service Manager - Revenues and Welfare Support and to the Senior Leadership Team, and also through Covalent. The Housing and Welfare Support Manager also attends Nottinghamshire Local Authority Benefits Managers meetings to discuss changes in policy and to compare working practices and performance.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The action plan at section two details the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
Failure to comply with legislation, policies and procedures.	0	(8)	2	(8)	2	0	0
Benefit claims are not processed promptly and accurately.	0	(10)	4	(10)	3	1	0
Total	5	1	0				

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

1.5 Progress made with previous audit findings

Date of previous audit	Low	Medium	High
Number of actions agreed during previous audit	4	2	0
Number of actions implemented/ superseded	4	1	0
Actions not yet fully implemented:	0	1	0

As part of this review, Gedling Borough Council has demonstrated good progress in implementing agreed actions made within the 2015/16 audit of Housing Benefits. Of the two “medium” and four “low” priority recommendations raised, were confirmed that five had been implemented. The recommendation which had yet to be implemented, relating to the segregation of duties in the payment process, has therefore been re-raised within this report.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Risk: Benefit claims are not processed promptly and accurately.								
5	The main Benefits run is paid every four weeks, with a smaller payment run made every week to bring new claimants in line with the general schedule. Pre-payment reports are produced which are reconciled to the payment authorisation report, and the BACS payment submission.	Yes	Yes	Our sample testing of 12 payment runs processed in the three month period prior to the audit identified that there is currently no segregation between the Team Leader who can process claims and who prepares the payment files for payment, or the member of staff who authorises the payment and sends the BACS file. Whilst our testing did not identify any errors or anomalies within the payments process without having this secondary review and authorisation of the payments due to be made, there is a risk that fraudulent or inappropriate payments are made which are not identified.	Medium	We will introduce a secondary review and approval of the Housing Benefits payment run, which will ensure that the value expected has been paid.	31 March 2017	Housing and Welfare Support Manager

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RSM'S CONFORMANCE WITH THE IIA STANDARDS

RSM Risk Assurance Services LLP recently underwent an External Quality Assessment (EQA) in line with the Global Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF). In complying with the standards, internal audit services are required to have an external quality assessment every five years. The Risk Assurance Services LLP commissioned an external independent review of our internal audit services in 2016 to provide assurance on whether our approach meets the requirements of the IPPF. Our external independent review was conducted by the Chartered Institute of Internal Auditors (CIIA).

Conformance to the IIA's standards is measured in the following five areas: purpose; people; performance; planning; and process. As part of the EQA, our internal audit working practices were assessed against 57 fundamental principles. Upon completion of the assessment, we are pleased to confirm, that the CIIA concluded that RSM Risk Assurance Services conforms to all of the 57 fundamental principles.

The review process involved interviewing RSM partners, directors and managers as well as a sample of our clients, to whom we thank for their time and insights. In addition, a sample of internal audit reports issued to audit committees and supporting working papers were examined.

RSM operates a strict regime of controls and protocols to ensure the services provided to our clients conform to the IIA's IPPF. Our recent review examined those controls and protocols in place.

Demonstrating our results

The outcomes of the review are based upon our internal audit approach and our internal processes. As part of the review we clearly demonstrated:

- an internal audit methodology that is in place, adhered to and is supported through the use of working papers, which are reviewed appropriately;
- an internal audit manual that is at the forefront of our approach and is relevant and timely to include the changes to the standards that came into effect on 1 January 2017;
- quality client engagement during the formation of internal audit strategies;
- a value adding internal audit service, with timely reporting and useful insights to our clients, as demonstrated through our continual positive client feedback; and
- a continued focus on quality assurance and improvement.

Some of the excellent processes and qualities observed during our recent review include:

- an investment in our people through supporting their professional development. We support our people at all stages of their careers, providing mandatory training as well as further internal and external training opportunities, and we provide over 40 days of professional training for our trainees. We invest in our people to ensure they continue to have the skills to provide up to date and relevant services to our clients;
- a pool of subject specialists to support our clients' internal audit strategies, facilitated by a team of suitably qualified and experienced internal auditors; and
- excellent tools to enable the capture and robust reporting of all evidence by using bespoke in-house auditing software.

Outcomes of the review

RSM was found to have an excellent level of conformance with the IIA's professional standards, including the Public Sector Internal Audit Standards (PSIAS).

The review confirmed:

'There is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.' – CIIA

What does this mean for our clients?

- Your internal audit service is provided by one of a very small number of accountancy firms that have sought and achieved accreditation to the IIA standards.
- You can be assured that the service provided by RSM fully meets the internationally recognised standards for internal audit.
- Our internal audit service and the work that we do for you is designed and delivered in a way that provides an effective internal audit service.

RSM Risk Assurance Services LLP is pleased to be able to confirm the outcomes of our EQA. If you require any further information please contact your RSM client manager or engagement partner.



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GEDLING BOROUGH COUNCIL

Internal Audit Strategy 2017/18 - 2019/20

**Presented at the Audit Committee meeting of:
21 March 2017**

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no
responsibility or liability in respect of this report to any other party.





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This report, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and board of our client and, pursuant to the terms of our engagement, should not be copied or disclosed to any third party without our written consent. No responsibility is accepted as the plan has not been prepared, and is not intended for, any other purpose.

1 INTRODUCTION

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Gedling Borough Council in the year ahead, including changes within the sector.

1.1 Background

Gedling Borough Council covers the mainly affluent northeastern suburbs of Greater Nottingham including Arnold, Carlton and part of Mapperley and then covers the area north of Nottingham into the rural villages of Calverton, Woodborough, Ravenshead and Newstead extending north to Mansfield, with a population of over 115,000. The Council manages a budget of £12.5 million. The Council like other public sector organisations continues to face challenges as part of the national deficit reduction programme, with total grant reduction of £5.4m being equivalent to a 62% cash reduction over a nine year period; as a result of this the Council is undergoing significant change in its approach to the way it supports local people and the services it provides. The Council has had to significantly increase its delivery of efficiency savings in order to maintain service levels.

1.2 Vision and Objectives

Gedling Borough Council has published its Vision and priorities 2016/19:

People:

- Reduce anti social behaviour, crime & fear of crime.
- Reduce hardship and provide support to the most vulnerable.
- Improve health and wellbeing.
- Promote and encourage pride, good citizenship and participation in the local area.

Place:

- Create more jobs and better access to them.
- Ensure local people are well prepared and able to compete for jobs.
- Provide more homes.
- Provide an attractive and sustainable local environment that people can enjoy and appreciate.

Performance:

- Improve the customer experience of dealing with the Council.
- Create a stronger commercial and entrepreneurial culture.
- Maintain a positive and productive working environment and strong staff morale.

The detailed Internal Audit Plan (see Appendix A) will support you in the forthcoming year to achieve your priorities listed above.

2 DEVELOPING THE INTERNAL AUDIT STRATEGY

We use your objectives as the starting point in the development of your internal audit plan.

2.1 Risk Management processes

We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the Senior Leadership Team and Service Managers. A meeting was held with the senior leadership team to discuss the transition from the in-house internal audit team to RSM Risk Assurance. A separate meeting was held with the Service Managers to discuss the development and content of the internal audit plan and strategy.

Based on our understanding of the Council and the information provided to us by the stakeholders above, we have developed an annual internal plan for the coming year and a high level strategic plan (see Appendix A and B for full details).



Figure A: Sources considered when developing the Internal Audit Strategy

2.2 How the plan links to your strategic objectives

Each of the reviews that we propose to undertake is detailed in the internal audit plan and strategy within Appendices A and B. In the table below we bring to your attention particular key audit areas and discuss the rationale for their inclusion within the strategy.

Area	Reason for inclusion in the audit plan/strategy
Financial Systems	The local government sector like other sectors faces financial pressures and there is a risk of financial loss and cashflow issues; these issues could lead to breakdown in basic financial controls with increased risk of fraud. Within the 2017/18 plan we have included a number of reviews focusing on financial systems, as well as service specific reviews requested by the Deputy Chief Executive/ Director of Finance.
Cash and Banking	This area is included in the plan on an annual basis and will cover all major income sources including: Building Control, Car Parks, Planning Fees, Licensing, Leisure Centres, Trade & Garden Waste, Cemeteries and Land Charges.
IT	As technology and technology related threats and opportunities continue to evolve, it is imperative that organisations have a clear understanding of how these impact on their day to day operations. Specific IT areas for review will be discussed and agreed with management.
Data Protection	<p>Potential significant change in the requirements of Data Protection within our clients as result of the 2016 Major Overhaul of EU Data Protection Laws. This will impact on the requirements for both the Council and its key stakeholders.</p> <p>The potential fines for a data breach will be significantly higher and there is a greater requirement for more stringent control processes to manage, store, transmit and secure confidential information.</p> <p>Whilst the act does not come into play until 2018, the Council needs to start working now to ensure that they have the controls and processes in place to meet their future data protection obligations. The Council is aware of the changes taking place and is conducting an internal review and updates where required. Management have included a review of Data Protection and Freedom of Information for 2019/20.</p>

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: time for tracking the implementation of actions, a contingency allocation and an audit management allocation. Full details of these can be found in Appendices A and B.

2.3 Internal Audit Fees

The fee for your internal audit service for 2017/18 is £62,000 excluding VAT.

2.4 Working with other assurance providers

The Audit Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the Council.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

3 YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Chris Williams (Partner), supported by Amjad Ali as your Client Manager.

3.1 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.2 Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

4 AUDIT COMMITTEE REQUIREMENTS

In approving the internal audit strategy, the committee is asked to consider the following:

- Is the Audit Committee satisfied that sufficient assurances are being received within our annual plan (as set out at Appendix A) to monitor the organisation's risk profile effectively?
- Does the strategy for internal audit (as set out at Appendix B) cover the Council's key risks as they are recognised by the Audit Committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the Audit Committee content that the standards within the charter in Appendix C are appropriate to monitor the performance of internal audit?

It may be necessary to update our plan in year, should your risk profile change and different risks emerge that could benefit from internal audit input. We will ensure that management and the Audit Committee approve such any amendments to this plan.

APPENDIX A: INTERNAL AUDIT PLAN 2017/18

Audit	High Level Scope for 2017/18	Proposed timing
STRATEGIC		
Corporate Governance	Continued annual assurance focussing on compliance with the constitution. We will also consider the key elements of governance and the effectiveness and ability to react to and provide informed decisions.	Qtr 2
Organisational Development	An advisory review of the Council's structure and policies and how these meet the Council's corporate objectives/ aims. Exact scope will be agreed with management.	Qtr 2
Risk Management	Consideration of the current risk management framework and arrangements which will include the risk management strategy, business areas approach to risk, risk register, reporting of risk and mitigations, review and update of the risk registers. Information report to management and committees.	Qtr 3
FINANCIAL SYSTEMS		
Cash and Banking	This annual review will ensure that cash and bank processes across a sample of Council departments are operating effectively, and will cover the process for receiving and receipting cash income, allocation to customer accounts, banking, and receipt in the Councils bank account.	Qtr 2
Council Tax and NNDR	Our audit will provide assurance that policies and procedures in relation to Council Tax and NNDR are followed and correct charges are being applied and will include identification and recording of persons liable for Council Tax and NNDR, billing methods and payment collection, recovery and writes offs, segregation of duties, exemptions, discounts, refunds including rate relief, inspection of void properties and completion of returns including NNDR returns.	Qtr 3
Creditors and E Procurement	This audit will include whether Financial Procedure Rules and policies and procedures are being adhered to, that invoices are only paid when matched to an appropriately authorised purchase order, and goods are received prior to payments being made. This review will also review the processes around the e procurement system and ensure that supplier details are accurate.	Qtr 2
Debtors and Debt Recovery	This review will seek to ensure that policies and procedures in relation to debt recovery are followed and invoices are raised in a timely manner and debts are collected in line with policy.	Qtr 3

Audit	High Level Scope for 2017/18	Proposed timing
Housing Benefits/ Universal Credit/ Council Tax Reduction Scheme	We will undertake a review to ensure that applications received are done so in line with policy, procedure, and are subject to an independent check. We will also ensure that Officers are not able to work on their own accounts, and that an annual declaration is completed. We will review the payment process, and also the procedure for identifying and recovering an overpayment. Our review will also include how the Council manages and monitors the introduction of Universal Credit and the Council Tax Reduction Scheme. We will also include a review of the interfaces between the Housing Benefits, Council Tax and Housing Ledger, and how these link to the general ledger.	Qtr 3
Main Accounting System	To provide assurance over the operation of the general ledger. This review will include the input of approved budgets to the MAS, the roll forward of closing year end balances to the new financial year, journals, and user access to the general ledger.	Qtr 3
Payroll	We will seek to provide assurance that the processes in place for new starters, leavers and contractual changes affecting the payroll are well designed and operatively effectively. We will also review the payment process and ensure all staff receive the statutory paperwork due to them.	Qtr 3
Reconciliations	The review will focus on the reconciliation process to ensure procedures are being followed and reconciliations are being performed in a timely manner and all discrepancies are being dealt with accordingly. This will be a wide ranging review of the reconciliation process throughout the Council.	Qtr 3
Treasury Management	This review will consider whether all investments and withdrawals made, and loans taken, are subject to appropriate approval. We will also review the controls in place surrounding the levels of cash held both in Council bank accounts and in other institutions, and how the Council ensures sufficient cash is available to meet its ongoing liabilities.	Qtr 4
SERVICE SPECIFIC – HEALTH & COMMUNITY WELLBEING		
Environmental Health and Enforcement (Food, H&S, Private Sector Housing)	We will seek to ensure that the Councils enforcement action is undertaken in accordance with procedure, and legal advice is obtained where appropriate to ensure compliance with Council decisions and legislation. At the request of management, we will review the enforcement action performed related to decisions made within the Environmental Health. We will review the records maintained for a sample of enforcement cases, and ensure a clear audit trail exists which shows the stages of the procedure.	Qtr 2
Events Management	We will also review a sample of Council-managed events, and ensure that these were risk assessed and managed appropriately.	Qtr 3

Audit	High Level Scope for 2017/18	Proposed timing
Partnerships and Voluntary Sector Grant Aid	Our audit will provide assurance that policies and procedures in relation to Partnership and Voluntary Sector Grants are followed and will include reviewing partnership agreements, grant application process, grant approvals, segregation of duties, monitoring of expenditure and management reporting.	Qtr 3
SERVICE SPECIFIC – ORGANISATIONAL DEVELOPMENT & DEMOCRATIC SERVICES		
IT Reviews	To review the processes employed by the Council for the management of risks in relation to the Council's IT network. It has been agreed with management that we will undertake two IT reviews during the year and exact scopes to be agreed with management.	Qtr 3
SERVICE SPECIFIC – CHIEF EXECUTIVE		
Geographic Information System, Land Charges, Street Naming & Numbering	This audit will consider whether the GIS systems are updated, and that customer enquiries are answered in line with procedure, and upon receipt of the correct fee. We will also review the arrangements in place with other Council departments and third parties. We will also assurance that appropriate arrangements are in place to maintain the Land Charges register up to date, and that all applications and searches are handled in line with procedure, the relevant fees are received and that joint working is undertaken with other key Council departments. We will also include a review of the street naming and numbering process; ensuring this is undertaken in line with legislation.	Qtr 2
S106 Agreements and Community Infrastructure Levy	To provide assurance that policies and procedures are complied with, and opportunities presented by planning applications are maximised, such as contributions from developers and other bodies. We will also review the procedures for the repayment of funds not spent, and the separation of funds for the administration and completion of works.	Qtr 3
SERVICE SPECIFIC – FINANCE		
Budgetary Control and Setting	This review will consider the budget setting process is robust and each budget is considered on a line by line basis each year, resulting in its approval.	Qtr 3
Capital Accounting and Asset Register	To ensure compliance with the Financial Procedure Rules, and include the process for recording and valuing fixed assets, depreciation, additions and disposals to the asset registers and the asset verification exercises undertaken.	Qtr 3

Audit	High Level Scope for 2017/18	Proposed timing
Car Parks	<p>To ensure the Council's car park provision is reviewed to determine whether the requirements of users are being met, and also that each facility has been risk assessed. We will include a review of the signage in place at each car park, ensuring this reflects the Council statutory responsibilities, the approved fees and charges for parking and complaints. We will also include a review of the contract in place for the provision of car park enforcement.</p> <p>Cash collection will be undertaken as part of a separate cash and banking audit.</p>	Qtr 4
Housing Needs	<p>We will focus our audit on whether the Council's policies and procedures are designed to limit homelessness and housing problems where possible, and that the borough's housing stock is subject to review to determine where potential issues may arise in the future. We will also include a review of the processes in place for the provision of temporary and emergency accommodation; how eligibility is assessed and the accommodation is paid for.</p>	Qtr 4
Contract Management	<p>We will focus on whether policies and procedures are being adhered to with regards obtaining tenders and quotations, and the level of due diligence performed on potential new suppliers. We will also review the level of contractor performance management undertaken across the Council, and how this results in payments being made to contractors.</p> <p>We will review pre, mid and post contract processes for each of the sampled contracts.</p>	Qtr 3
OTHER INTERNAL AUDIT ACTIVITY		
Follow up	<p>To meet internal auditing standards, and to provide assurance on action taken to address previously agreed management actions.</p>	Qtr 1 Qtr 3
Contingency	<p>To allow additional reviews to be undertaken in agreement with the Audit Committee or management based on changes in risk profile or assurance needs as they arise during the year.</p>	As Required
Management	<p>This will include:</p> <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Audit Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion 	Throughout the year

APPENDIX B: INTERNAL AUDIT STRATEGY 2017/18 – 2019/20

Proposed area for coverage	Risk Register/ Potential risks to the area	2017/18	2018/19	2019/20
STRATEGIC				
Corporate Governance	Non-compliance with Corporate Governance requirements (Risk Ref: MH29)	✓	✓	✓
Organisational Development	Failure to meet the Council's corporate objectives.	✓		
Anti-Fraud Thematic Review	Inadequate money laundering policy (Risk Ref: MH26) Ineffective fraud policy and procedures (Risk Ref: MH73)		✓	
Risk Management	Inadequate / inappropriate Risk Management Strategy (Risk Ref: MH25)	✓	✓	✓
FINANCIAL SYSTEMS				
Cash and Banking	Loss or theft of cash/ income (Risk Ref: DW69 and HB35) Failure to provide receipt fees for income and undertake reconciliations - planning applications etc. (Risk Ref: HOPEG19)	✓	✓	✓
Council Tax and NNDR	Incorrect / inefficient council tax billing procedures (Risk Ref: MH74) Incorrect / inefficient business rate billing procedures (Risk Ref: MH75)	✓	✓	✓
Creditors and E Procurement	Ongoing failure of / errors within the creditors system (Risk Ref: MH57)	✓		✓
Debtors and Debt Recovery	Failure to report and recover sundry debtors (Risk Ref: MH76)	✓		✓
Housing Benefits/ Universal Credit/ Council Tax Reduction Scheme	Failure to process Housing Benefit claims in a timely or effective manner (Risk Ref: MH72) Failure to deliver Statutory Returns – Revenues CTB1, NNDR1 (Risk Ref: MH77) Lack of an effective Benefit Strategy (Risk Ref: MH79) CT Technical Reforms insufficient to fund CTRS scheme payments (Risk Ref: MH81)	✓	✓	✓
Main Accounting System	Failure to achieve closure of accounts to timescale (Risk Ref: MH53) Failure to comply with requirements relating to whole of government accounts (Risk Ref: MH54)	✓	✓	✓

Proposed area for coverage	Risk Register/ Potential risks to the area	2017/18	2018/19	2019/20
Payroll	Failure to deliver benefits of the Rushcliffe payroll partnership (Risk Ref: MH65) Ongoing failure of / errors within the payroll system (Risk Ref: MH56)	✓	✓	✓
Reconciliations	Loss / theft of cash (Risk Ref: HB35) The Council fails to ensure that all local and centralised financial systems are reconciled and verified at regular intervals.	✓		✓
Treasury Management	Failure to maintain liquidity (Risk Ref: MH61)	✓	✓	✓
SERVICE SPECIFIC – HEALTH & COMMUNITY WELLBEING				
CCTV, Licensing, Pollution Control, Contaminated Land, Dog Welfare	The Council fails to take appropriate, consistent action against those breaching legislation, policy or decisions made.			✓
Community Centres	Failure to provide and maintain Community Centres (Risk Register: DW55)		✓	
Environmental Health and Enforcement (Food, H&S, Private Sector Housing)	The Council fails to take appropriate, consistent action against those breaching legislation, policy or decisions made.	✓		
Events Management	Inefficient management of Council related events. Lack of centralised control over marketing; use of corporate branding, use of events / promotional suppliers.	✓		
Leisure Centres	Failure to provide and maintain Leisure centres (Risk Ref: DW64) Inability to maintain current level of income within Leisure Services (Risk Ref: DW67)		✓	
Partnerships and Voluntary Sector Grant Aid	Partnership Agreements not in place. Inaccurate records of grants maintained. Losses due to fraud or error or inappropriate activity. Grants are not made in line with agreed criteria.	✓		
SERVICE SPECIFIC – ORGANISATIONAL DEVELOPMENT & DEMOCRATIC SERVICES				
Complaints Management	Failure to adequately process complaints against members (Risk Ref: HB22) Failure to limit damage to Council reputation (Risk Ref: HB9)			✓

Proposed area for coverage	Risk Register/ Potential risks to the area	2017/18	2018/19	2019/20
Customer Services, Cashiering and One Stop Shop Area	Wrong / inaccurate advise given by customer services staff (Risk Ref: HB33) Failure to meet the requirements of the SLA – Cashiering with Gedling Homes (Risk Ref: HB36)		✓	
Data Protection Act/ Freedom of Information Act	Failure to comply with the FOI Act (Risk Ref: S14) Failure to comply with the Data Protection Act (Risk Ref: HB8) Failure to comply with FOI policies and procedures (Risk Ref: HB11) Potential breach of DPA relating to transfer of personal data held within DNA and GP referral schemes (Risk Ref: DW68)			✓
Elections – Returning Officer Role	Failure to comply with practice and procedures for administering local elections.			✓
HR Management	Ineffective employee relations (Risk Ref: HB13) Ineffective recruitment and selection & advice (Risk Ref: HB14)			✓
IT Reviews	Inadequate Disaster Recovery plans for ICT (Risk Ref: S9) Loss / manipulation of data through inadequate information security (Risk Ref: HB24) Loss of support from core provision 3rd party supplier (Risk Ref: HB28)	✓	✓	✓
Mail Room	Insufficient security inappropriate access to the mail room. Lack of monitoring of usage of postal services. Lack of performance monitoring to ensure there is internal customer satisfaction.		✓	
Members Expenses	Payment of expenses is not adequately documented in procedures. The Council's policy towards car mileage and subsistence is not cost efficient. Expenses claims are not made on official forms or approved prior to processing. Management information is not being produced to monitor expenses being paid.		✓	

Proposed area for coverage	Risk Register/ Potential risks to the area	2017/18	2018/19	2019/20
SERVICE SPECIFIC – CHIEF EXECUTIVE				
Building Control	Failure to respond to an increasingly competitive market. Incorrect fees and charges are applied to applications. Reports of dangerous buildings are not followed up in line with policy.			✓
Geographic Information System, Land Charges, Street Naming & Numbering	Failure to adopt major roads -street naming (Risk Ref: HOPEG12)	✓		
Housing Strategy	Failure to deliver housing numbers, including affordable housing (Risk Ref: S19)		✓	
S106 Agreements and Community Infrastructure Levy	Failure to successfully negotiate s106 agreements for affordable housing (Risk Ref: SB24) Failure to provide a revised 106 policy (Risk Ref: HOPEG5) Failure to implement Community Infrastructure Levy (Risk Ref: HOPEG26)	✓		
SERVICE SPECIFIC – FINANCE				
Budgetary Control and Setting	Inadequate budgetary control (Risk Ref: MH60)	✓		✓
Capital Accounting and Asset Register	Lack of an appropriate capital strategy (Risk Ref: MH64)	✓	✓	✓
Car Parks	Lack of an effective car parking strategy (Risk Ref: MH48)	✓		
Property – Investment and Miscellaneous Properties and Facilities Management	Failure to effectively manage investment portfolio (Risk Ref: MH69)		✓	
Ground Maintenance, Parks & Open Spaces	Failure to maintain effective grounds maintenance programmes (Risk Ref: MH15) Failure to protect the public within Parks (Risk Ref: MH16) Inability to identify additional parks and open spaces to meet best practice guidance (Risk Ref: MH24)		✓	
Housing Needs	Lack of an effective Housing Strategy (Risk Ref: DW59) Incorrect application of the housing allocations Policy (Risk Ref: DW60) Incorrect assessment of homeless application (Risk Ref: DW61)	✓		

Proposed area for coverage	Risk Register/ Potential risks to the area	2017/18	2018/19	2019/20
Insurance	Failure to minimise insurance costs (Risk Ref: S11) Inability to defend Insurance Claims (Risk Ref: MH6) Failure to deliver appropriate and cost effective insurance and broker services (Risk Ref: MH28)			✓
Payment Card Industry Compliance	Failure to comply with PCI standards / requirements (Risk Ref: HB34)		✓	
Contract Management	Non-compliance with contract law (Risk Ref: S4) Failure to adequately vet contractors (Risk Ref: S5) Failure to maintain an accurate/complete contracts register (Risk Ref: MH58) Failure to employ competent contractors (Risk Ref: MH70) Failure to achieve efficient procurement of goods and services (Risk Ref: MH44)	✓	✓	✓
OTHER INTERNAL AUDIT ACTIVITY				
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address previously agreed management actions.	✓	✓	✓
Contingency	To allow additional reviews to be undertaken in agreement with the Audit Committee or management based on changes in risk profile or assurance needs as they arise during the year.	✓	✓	✓
Management	This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Audit Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion 	✓	✓	✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Gedling Borough Council. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit Committee.

The internal audit service is provided by RSM Risk Assurance Services LLP (“RSM”).

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives.

An overview of our client care standards are included at Appendix E of the internal audit strategy plan for 2017/18 – 2019/20.

The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of internal auditing
- Code of Ethics; and
- International Standards for the Professional Practice of Internal Auditing.

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to Chris Williams, Partner (acting as your Head of Internal Audit). The independence of RSM is assured by the internal audit service reporting to the Chief Executive, with further reporting lines to Deputy Chief Executive.

The Head of Internal Audit has unrestricted access to the Chair of Audit Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Gedling Borough Council. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be

compromised in reporting the matter to the Audit Committee. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Audit Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a Quality Assurance and Improvement Program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Audit Committee to demonstrate the performance of the internal audit service.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The Head of Internal Audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

The PSIAS use the terms Board and Senior management. For the purposes of our internal audit services to Gedling Borough Council, these are defined as:

The board refers to the Audit Committee which assumes responsibility for overseeing the work of internal audit.

Senior management is defined as those responsible for the leadership and direction of the organisation.

Data Protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's Terms of Business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Fraud

The Audit Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the Internal Audit Charter

By approving this document, the internal audit strategy, the Audit Committee is also approving the internal audit charter.

APPENDIX D: OUR CLIENT CARE STANDARDS

- Discussions with senior staff at the client take place to confirm the scope six weeks before the agreed audit start date
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date
- The lead auditor to contact the client to confirm logistical arrangements two weeks before the agreed start date.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Two weeks after a debrief meeting a draft report will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

FOR FURTHER INFORMATION CONTACT

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rsmuk.com

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