



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

Agenda

Audit Committee

Date: **Tuesday 20 March 2018**

Time: **5.30 pm**

Place: **Committee Room**

For any further information please contact:

Alec Dubberley

Service Manager Democratic Services

0115 901 3906

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

Page

- 1 Apologies for Absence and Substitutions.**
- 2 To approve, as a correct record, the minutes of the meeting held on 19 December 2017.** 5 - 6
- 3 Declaration of Interests.**
- 4 Local Code of Corporate Governance 2018/19** 7 - 22
Report of the Chief Financial Officer and Monitoring Officer.
- 5 Sickness Absence** 23 - 26
Report of the Director of Organisational Development and Democratic Services
- 6 Corporate Risk Management Scorecard** 27 - 38
Report of the Deputy Chief Executive and Director of Finance.
- 7 KPMG Certification of Grants Annual Report 2016/17** 39 - 44
Report of the Deputy Chief Executive and Director of Finance.
- 8 KPMG 2017-2018 External Audit Plan** 45 - 70
Report of the Deputy Chief Executive and Director of Finance.
- 9 Internal Audit Progress Report 2017/18.** 71 - 114
Report of the Head of Internal Audit (RSM).
- 10 Draft Internal Audit Plan 2018/19** 115 - 138
Report of the Head of Internal Audit (RSM).
- 11 Any other item which the Chair considers urgent.**

12 Exclusion of Press and Public

To move that under Section 100(A)(4) of the Local Government Act 1972 the public and press be excluded from the meeting during consideration of the ensuing four reports on the grounds that the report involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

13 Ethical Phishing Campaign

139 - 162

Report of the Director of Organisational Development and Democratic Services

MINUTES AUDIT COMMITTEE

Tuesday 19 December 2017

Councillor Paul Feeney (Chair)

Councillor Bob Collis
Councillor Sandra Barnes
Councillor Chris Barnfather

Councillor Boyd Elliott
Councillor Helen Greensmith
Councillor Viv McCrossen

Officers in Attendance: L Parnell and M Hill

44 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS.

None received.

45 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 12 SEPTEMBER 2017.

RESOLVED:

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

46 DECLARATION OF INTERESTS.

None.

47 INTERNAL AUDIT PROGRESS REPORT 2017/18

Mr Ali of RSM, the Council's internal audit provider, presented the report, which had been circulated prior to the meeting, summarising the outcome of internal audit activity completed for the period September to December 2017.

Members requested further information about the cyber security audit and asked that the exercise be undertaken again with feedback to the Audit Committee and to the business managers of each political group in respect to Members who may require additional training.

RESOLVED:

To note the report.

48 KPMG ANNUAL AUDIT LETTER 2016/17

The Deputy Chief Executive and Director of Finance presented a report, which had been circulated prior to the meeting, informing Members of the outcome of external audit work in 2016/17.

RESOLVED to:

1. Receive and accept the KPMG Annual Audit Letter 2016/17; and
2. Recommend the report to Council for information.

49

CORPORATE RISK MANAGEMENT SCORECARD

The Deputy Chief Executive and Director of Finance presented a report, which had been circulated prior to the meeting, updating Members on the current level of assurance that can be provided against each corporate risk.

Members requested more detailed information be provided to Committee in relation to sickness absence.

RESOLVED:

To note the progress of actions identified within the Corporate Risk Register.

50

ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT.

None.

The meeting finished at 6.05 pm

Signed by Chair:
Date:



Report to Audit Committee

Subject: Local Code of Corporate Governance 2018/19

Date: 20 March 2018

Author: Chief Financial Officer and Monitoring Officer

1. Purpose of the Report

- 1.1 To seek approval for the updated Local Code of Corporate Governance 2018/19.

2. Background

- 2.1 Corporate governance is the system by which organisations are directed and controlled and it became an important concept following the Cadbury Committee's report in 1992 on financial aspects of corporate governance. As a consequence, all local authorities have sought to demonstrate compliance with best practice by drawing up a Local Code of Corporate Governance, based on CIPFA/SOLACE Guidance first published in 2007.
- 2.2 In April 2016, CIPFA and SOLACE published the publication "*Delivering Good Governance in Local Government: Framework*" which is in essence an updated version of the original 2007 publication. However, amendments to the framework include an update to the Core Principles and sub principles to ensure organisations demonstrate good governance by "*Achieving the Intended Outcomes While Acting in the Public Interest at all Times*". The Framework makes it clear that it is up to each local authority to:
- Set out its commitment to the principles of good governance;
 - Determine its own governance structures and local Code; and
 - Ensure that it operates effectively in practice.
- 2.3 The Local Code of Corporate Governance should set out the governance structures the Council has in place to demonstrate how it complies with the Core principles and sub-principles. It is a 'living document' in that it must be periodically reviewed and amended to ensure that it satisfies the changing financial and corporate environment.
- 2.4 Members of the Committee will recall that the Local Code of Corporate Governance for 2017/18 was approved on 12 September 2017. It was also agreed that the process of review of the Code should be as follows:-

- Senior Leadership Team

The Senior Leadership Team (SLT) will review the Council's governance and risk management arrangements and identify a work programme for ensuring these arrangements remain robust and up-to-date as and when necessary. SLT will also proactively review issues which may arise during the course of the Council's day to day business and take steps to address them. SLT will report directly to the Audit Committee as and when necessary.

- The Audit Committee

The Audit Committee has overall responsibility for the Council's governance and risk management arrangements, and will be the main Member review of those arrangements. The Committee will approve any amendments to the Local Code.

- 2.5 At the end of the financial year, the Audit Committee will receive an annual report from the Chief Executive and Leader: the "Annual Governance Statement", which reports on the extent that the Council complies with its own Code of Corporate Governance and whether those arrangements are adequate and operating effectively. The Annual Governance Statement will accompany the Statement of Accounts report.

3. Proposal

- 3.1 In accordance with the agreed process, Senior Leadership Team has reviewed the Local Code on Corporate Governance and has made a number of minor amendments to ensure that it remains up to date and fit for purpose. For ease of reference the amendments are shown underlined and in italics. It is proposed that Audit Committee now approves the Local Code of Corporate Governance for 2018/19 attached at Appendix 1.

4. Resource Implications

None directly arising from this report.

5. Recommendation

THAT:

The Local Code of Corporate Governance for 2018/19 be approved.

6. Appendices

Appendix 1 - Local Code of Corporate Governance for 2018/19.

LOCAL CODE OF CORPORATE GOVERNANCE 2018/19

Introduction

1. Governance arrangements in the public services are vitally important and local government organisations need to ensure that they meet the highest standards, are kept up to date and are relevant. Governance is about how the Council ensures resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and there is clear accountability for the use of those resources in order to achieve the desired outcomes for service users and communities.
2. CIPFA¹/SOLACE² have together produced a corporate governance framework which was updated for 2016/17. It is an integrated system that brings together an underlying set of legislative requirements, governance principles and management processes. The governance framework produced by CIPFA/SOLACE remains a discretionary code and is offered to local authorities as good practice.
3. In conducting its business, Gedling Borough Council is fully committed to the key principles of good governance set out in the CIPFA/SOLACE framework. The framework is underpinned by seven core principles. This Local Code of Corporate Governance sets out below how Gedling Borough Council demonstrates that its governance structures comply with these seven core principles.

Core Principle A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Sub- principle	Actions to demonstrate good governance
Behaving with integrity	<ul style="list-style-type: none"> ▪ Ensuring Members and Officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation. ▪ Ensuring Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles). ▪ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions. ▪ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and

¹ Chartered Institute of Public Finance and Accountancy

² Society of Local Authority Chief Executives

	processes which are reviewed on a regular basis to ensure that they are operating effectively.
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> ▪ Seeking to establish, monitor and maintain the organisation's ethical standards and performance. ▪ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. ▪ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. ▪ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.
Respecting the rule of law	<ul style="list-style-type: none"> ▪ Ensuring Members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations. ▪ Creating the conditions to ensure that the statutory officers, other key post holders, and Members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. ▪ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. ▪ Dealing with breaches of legal and regulatory provisions effectively. ▪ Ensuring corruption and misuse of power are dealt with effectively.

To demonstrate its commitment to Core Principle A Gedling Borough Council:

- Has developed and promotes a culture of behaviour based on shared values, high ethical principles and good conduct underpinned by the following:
 - Members' code of conduct
 - Officers' code of conduct
 - Protocol on member/officer relations
 - Gifts and Hospitality Code of Practice for Members and Officers
 - Members' Register of Interests
 - Protocol for Members on dealing with planning matters
- Provides a comprehensive Elected Member induction programme which includes Code of Conduct training.
- Additional Member training is provided supported by a dedicated budget for Member training.
- Has approved arrangements for dealing with complaints that a councillor has breached the Code of Conduct.
- Has a Standards Committee, which is not politically biased, with responsibility for standards and probity issues.
- Is able to monitor and investigate officer behaviour through its corporate complaints procedure.
- On an annual basis reminds Members to keep their Register of Interests up to date.
- Maintains a register of gift and hospitality for Officers and Members, which is reported to Standards Committee on an annual basis.
- Has an Audit Committee which has overall responsibility for the Council's

governance and risk management arrangements.

- Has an established anti-fraud strategy, including whistle-blowing procedures, communicated to Members, Officers and the public and available on the Council's website.
- Is developing new governance arrangements in respect of its significant partnerships.
- Has clear role specifications within the Constitution in respect of the Head of Paid Service, Chief Financial Officer and Monitoring Officer.
- Has introduced a Gedling Employee, Manager and Leader Standard which sets out behaviours expected by employees.
- Conducts annual Personal Development Reviews which include a review of behaviours in the workplace.
- Requires reports to be considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer.
- Has set out a Data Breach Management Policy within the Information Security Policy.
- Ensures commitment to paying the national minimum wage.
- Complies with the Public Contracts Regulations 2015 during procurement activity for the carrying out of works or provision of supplies or services.
- Is conducting a comprehensive review of the Constitution during 2018/19.
- Is conducting a review of the Council's Equalities Policy during 2018/19.

Core Principle B - Ensuring openness and comprehensive stakeholder engagement

Sub-principle	Actions to demonstrate good governance
Openness	<ul style="list-style-type: none"> ▪ Ensuring an open culture through demonstrating documenting and communicating the organisation's commitment to openness. ▪ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided. ▪ Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. ▪ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.
Engaging comprehensively with institutional stakeholders <i>NB. Institutional stakeholders are the other organisations that local government needs to work with to</i>	<ul style="list-style-type: none"> ▪ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. ▪ Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. ▪ Ensuring that partnerships are based on: <ul style="list-style-type: none"> ○ Trust ○ A shared commitment to change

<i>improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable</i>	<ul style="list-style-type: none"> ○ A culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit
Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> ▪ Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. ▪ Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement. ▪ Encouraging, collective and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds, including reference to future needs. ▪ Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account. ▪ Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity. ▪ Taking account of the impact of decisions on future generations of tax payers and service users.

To demonstrate its commitment to Core Principle B Gedling Borough Council:

- Has ~~developed~~ an informative, user friendly website to share appropriate information with the community.
- Proactively provides information and interacts with the community through Contacts magazine, 'Keep me Posted' emails and social media, in particular Twitter and Facebook.
- Has arrangements in place to seek and respond to the views of the community by;
 - Consulting with residents about Council services and priorities through the bi-annual Gedling Conversation and Satisfaction Survey
 - Holding meetings in public wherever possible
 - Publishing agendas, minutes and decisions
 - Making provision in the Council's Procedural Standing Orders in the Constitution for the public to ask questions at Council meetings
 - Undertakes annual budget consultation with business ratepayers
 - Having effective relationships with other public sector agencies and the private and voluntary sectors
 - Undertaking miscellaneous consultation with residents and relevant stakeholders including surveys, workshops and focus groups.
- Undertakes Equality Impact Assessments where appropriate to identify how the needs of particular groups have been considered to inform decision making.
- Has an approved statement of Community Involvement as part of the Local Development Framework.
- Proactively engages in the health agenda through involvement in the Nottinghamshire Health & Wellbeing Board.

- Proactively engages in a number of partnerships including: D2N2, Gedling Health & Wellbeing Delivery Group, South Notts Community Safety Partnership and Gedling Employment and Skills Group.
- Has a Freedom of Information Act Publication Scheme on the Council's website.
- Complies with the provisions of the Transparency Code.
- Requires officers to adhere to a calendar of dates for submitting, publishing and distributing timely reports.
- Sets out in the Financial Regulations appropriate control measures for entering into partnership arrangements.
- Is developing a Partnership Register, which identifies significant partnerships and potential impacts on the Council.
- Ensures reports to Cabinet include an analysis of alternative options together with the reasons for the recommendation contained within the report.
- Facilitates the filming and recording of public meetings where necessary.

Core Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

Sub-principle	Actions to demonstrate good governance
Defining outcomes	<ul style="list-style-type: none"> ▪ Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions ▪ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of the year or longer. ▪ Delivering defined outcomes on a sustainable basis within the resources that will be available. ▪ Identifying and managing risks to the achievement of outcomes. ▪ Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available.
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ▪ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. ▪ Taking a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints. ▪ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible in order to ensure appropriate trade-offs. ▪ Ensuring fair access to services.

To demonstrate its commitment to Core Principle C Gedling Borough Council:

- Has clearly set out its vision and priorities in the Gedling Plan.
- Reflects the Council's vision and strategic priorities through individual service

plans. These are captured and monitored in the Council's performance management system, *Covalent Pentenna*.

- Monitors delivery against the Gedling Plan through quarterly reports to SLT, Cabinet and Overview and Scrutiny Committee.
- Has developed and maintains proper financial management arrangements. These include agreeing a balanced budget before the start of each financial year together with a Medium Term Financial Plan which looks ahead four years; and an Annual Statement of Accounts that details the Council's financial position in the previous year.
- Regularly reviews risks at a corporate project and operational level and ensures that appropriate plans are in place to mitigate risks as far as possible.
- Has arrangements in place to publish the external auditor's report which includes a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Has Procedural Standing Orders, Contract Standing Orders and Financial Regulations in place.
- Internal audit regularly reviews the risk and control framework and produces an annual report including an audit opinion on the adequacy and effectiveness of the Council's risk management, governance and control processes.
- Undertakes Equality Impact Assessments where appropriate to identify how the needs of particular groups have been considered to inform decision making
- Maintains an approach to fair access to services.
- Takes account of the Public Services (Social Value) Act 2012 requirements when undertaking procurement activity.

Core Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub-principle	Actions to demonstrate good governance
Determining interventions	<ul style="list-style-type: none"> ▪ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided. ▪ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind further impacts.
Planning interventions	<ul style="list-style-type: none"> ▪ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. ▪ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. ▪ Considering and monitoring risks facing each partner when working collaboratively including shared risks. ▪ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances. ▪ Establishing appropriate key performance indicators (KPIs) as

	<p>part of the planning process in order to identify how the performance of services and projects is to be measured.</p> <ul style="list-style-type: none"> ▪ Ensuring capacity exists to generate the information required to review service quality regularly. ▪ Preparing budgets in accordance with objectives, strategies and the medium term financial plan. ▪ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> ▪ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. ▪ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. ▪ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage. ▪ Ensuring the achievement of 'social value' through service planning and commissioning.

To demonstrate its commitment to Core Principle D Gedling Borough Council:

- Ensures reports to Cabinet include an analysis of alternative options together with the reasons for the recommendation contained within the report.
- Requires service plans and performance indicators to be aligned to Council priorities set out in the Gedling Plan.
- Performance against the Gedling Plan is reported to and monitored by Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all Members and is published on the Council's website.
- The Council's budget is developed to reflect the Council's priorities and the Council has a clear financial strategy including a Medium Term Financial Plan – budgets, plans and objectives are aligned.
- Requires reports to be considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer.
- Has introduced a project management framework, including the full use of business case development.
- ~~Is reviewing~~ *Has reviewed and approved a new* Risk Management Strategy to ensure that risk management is embedded into the culture of the Council.
- Has arrangements in place to seek and respond to the views of the community by:
 - consulting with residents about Council services and priorities through the bi-annual Gedling Conversation and Satisfaction Survey
 - undertaking miscellaneous consultation with residents and relevant stakeholders

Core Principle E - Developing the entity's capacity including the capability of its leadership and the individuals within it

Sub-principle	Actions to demonstrate good governance
Developing the entity's capacity	<ul style="list-style-type: none"> ▪ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness. ▪ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently. ▪ Recognising the benefits of partnerships and collaborative working where added value can be achieved. ▪ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> ▪ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. ▪ Publishing a statement that specified the types of decisions that are delegated and those reserved for the collective decision making of the governing body. ▪ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority. ▪ Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> - Ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged. - Ensuring Members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis - Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weakness both internal and external ▪ Ensuring that there are structures in place to encourage public participation ▪ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections ▪ Holding staff to account through regular performance reviews which take account of training or development needs ▪ Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

To demonstrate its commitment to Core Principle E Gedling Borough Council:

- Has a comprehensive Member Induction Programme and Additional Member Training is provided supported by a dedicated budget for Member training.
- Has an accredited training centre and is a registered provider for Apprenticeship training.
- Has a dedicated corporate employee training budget.
- Performance and Development Reviews are undertaken for all members of staff at least annually. The process offers the opportunity to discuss performance and to identify any training and development needs.
- Requires the Service Manager, Organisational Development to be consulted on staffing reports to ensure that team structures are fit for purpose and staffing resources are used to best effect.
- Operates a robust recruitment and selection process.
- Has a raft of HR policies and procedures in place which are included in the Employee handbook and is available on the intranet.
- Adopts and publishes an annual Pay Policy statement that sets out the Council's approach to pay and provides links to relevant policies and procedures.
- ~~Is in the process of adopting~~ Has an adopted agile working strategy and is working to facilitate flexible and agile working.
- Has introduced the principles of Timewise as a means of maximising the opportunity for current and prospective employees to work in a more agile manner and in doing so encourage a wider pool of applicants to vacant posts.
- Provides access to occupational health arrangements and counselling services, under an Employee Assistance Programme, to help improve employee wellbeing and ensure that sickness absence is kept to a minimum.
- Promotes health and wellbeing through a staff e-newsletter, Well At Work initiatives and an annual Health Fair.
- Has secured the Well-being at Work Bronze Award.
- Through the STEPs Group arranges an annual Staff Conference and events under the banner of 'Our Gedling'.
- Clearly set out roles and responsibilities of Senior Members and statutory officers in the Constitution. Roles and responsibilities of Officers are clearly set out in job descriptions and person specifications.
- Is in the process of drawing together a Partnerships Register which will be reviewed regularly to ensure value is being derived from the collaborative arrangements.
- Has set out a Scheme of Delegation within the Constitution.
- Requires Members of the Planning Committee and Environment and Licensing Committee to undertake mandatory training.
- Clearly sets out the role of the Leader and Chief Executive within the Council's Constitution.
- Is conducting a comprehensive review of the Constitution during 2018/19.
- Is conducting a review of the Gedling Employee Standards during 2018/19.

Core Principle F – Managing risks and performance through robust internal control and strong public financial management

Sub-principle	Actions to demonstrate good governance
Managing Risk	<ul style="list-style-type: none"> ▪ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision

	<p>making</p> <ul style="list-style-type: none"> ▪ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively ▪ Ensuring that responsibilities for managing individual risks are clearly allocated
Managing performance	<ul style="list-style-type: none"> ▪ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review ▪ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook ▪ Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making ▪ Providing Members and senior management with regular reports on service delivery plans and on progress towards an outcome achievement ▪ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)
Robust internal control	<ul style="list-style-type: none"> ▪ Aligning the risk management strategy and policies on internal control with achieving objectives ▪ Evaluation and monitoring risk management and internal control on a regular basis ▪ Ensuring effective counter fraud and anti-corruption arrangements are in place ▪ Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor ▪ Ensuring and audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> - Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment - That its recommendations are listened to and acted upon
Managing data	<ul style="list-style-type: none"> ▪ Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data ▪ Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies ▪ Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring
Strong public financial management	<ul style="list-style-type: none"> ▪ Ensuring financial management is integrated at all levels of planning and control, including management of financial risks and controls ▪ Ensuring well-developed financial management is integrated at all levels of planning and control, including management of

To demonstrate its commitment to Core Principle F Gedling Borough Council:

- Has put in place assurance arrangements which conform with CIPFA's requirements.
- The Council has appointed an Audit Committee which can report to Full Council if it considers necessary.
- A Risk Management Strategy that is led by Senior Management for the identification and evaluation of Corporate Risks, and integrated with the work of Internal Audit to provide an holistic source of assurance aligned to corporate objectives.
- The Risk Management Strategy is periodically reviewed by the Audit Committee along with a quarterly review of the corporate Risk Register.
- The Council has contracted with RSM to provide an internal audit service. Internal auditors are independent and have access to all people, premises and systems. An annual report is presented to the Audit Committee.
- The Annual Audit Plan is shaped through an assessment of the Council's key strategic risk areas and critical services.
- Results of audit reviews are reported to the Audit Committee along with follow up work to ensure that the recommendations have been implemented.
- Financial systems are reviewed annually to ensure appropriate, effective controls are in place.
- External audit reports to the Audit Committee annually on the results of the audit of the financial statements.
- Through the Chief Financial Officer, Members are advised on the robustness of estimates and the adequacy of reserves set within the budget process.
- The Annual Governance Statement considers the internal control framework, and is presented to the Audit Committee annually with the Statement of Accounts.
- Ensures that effective arrangements are in place for the discharge of statutory officer roles by defining roles and responsibilities in the Constitution.
- Ensures compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful by:
 - requiring all reports to be considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer
 - requiring all Council and Cabinet reports to be considered by Senior Leadership Team prior to inclusion in the agenda
- Has financial management arrangements in place which conform with the requirements of the CIPFA statement on the role of Chief Financial Officer in Local Government and with statutory provisions in the Local Government Act 1972, the Local Government Act 1988 and the Accounts and Audit Regulations 2015.
- Has put in place Financial Regulations and Contract Standing Orders and provided training to the relevant staff.
- Through Senior Leadership Team, carries out an annual a quarterly review of corporate risks to ensure that they are relevant, whilst at the same time reviewing risk appetite.
- Ensures that performance against the Gedling Plan and agreed budget is reported to and monitored by the Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is

also made available to all Members and is published on the Council's website.

- Publishes an up to date Forward Plan to enable forthcoming key decisions to be scrutinised at the earliest opportunity by Overview and Scrutiny Committee.
- Ensures Overview and Scrutiny Committee has sufficient access to Cabinet Portfolio Holders, key officers and information for the purpose of constructive challenge.
- Is in the process of carrying out a review of the effectiveness of the scrutiny function.
- Ensuring that effective arrangements for whistle-blowing are in place to which officers and those contracting with or appointed by the Council have access.
- Has robust arrangements in place for managing data:
- Training staff and Members in relation to information governance
- Ensuring data security breaches are reported and dealt with appropriately as set out in the Information Security Policy
- Setting out how data shall be dealt with in the Information Security Policy and Records Retention and Disposal Policy
- Ensuring appropriate Information Sharing Agreements signed off by the Data Protection Officer are in place.
- Is conducting a comprehensive review of the Constitution during 2018/19.

Core Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub-principle	Actions to demonstrate good governance
Implementing good practice in transparency	<ul style="list-style-type: none"> ▪ Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate ▪ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand
Implementing good practices in reporting	<ul style="list-style-type: none"> ▪ Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way ▪ Ensuring Members and senior management own the results reported ▪ Ensuring robust arrangements for assessing the extent to which the principles contained in this framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) ▪ Ensuring that this framework is applied to jointly managed or shared service organisations as appropriate ▪ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations
Assurance and	<ul style="list-style-type: none"> ▪ Ensuring that recommendations for corrective action made by

effective accountability	<p>external audit are acted upon</p> <ul style="list-style-type: none"> ▪ Ensuring an effective internal audit service with direct access to Members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon ▪ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations ▪ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement ▪ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met
--------------------------	---

To demonstrate its commitment to Core Principle G Gedling Borough Council:

- Operates under Executive arrangements with an established Overview and Scrutiny Committee.
- Monitors compliance with the Freedom of Information Act and Access to Information Act and deals with FOI requests through an Information and Practice Manager.
- Adopts a presumption of openness and transparency and publishes key information on its website. The Council has a Publication Scheme and publishes information in accordance with the Code on Data Transparency.
- Through reviews by external auditors, internal audit and Senior Leadership Team seeks ways of ensuring that value for money is achieved and for securing continuous improvement in the way in which its functions are exercised.
- Has an effective corporate complaints system which is managed through Customer Services. All complaints are monitored and evaluated, through a quarterly report to Senior Leadership Team.
- Ensures that performance against the Gedling Plan and agreed budget is reported and monitored by the Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all members and is published on the Council's website.
- Ensures that all agendas, reports and minutes are published on the Council's website.
- Seeks to minimise the number of and sections of reports which need to be considered in the confidential section of Council, Committee and Cabinet meetings.
- Issues guidance to staff to ensure that the requirements of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and Openness of Local Government Bodies Regulations 2014 are complied with.
- Determines that the Chief Executive is responsible and accountable for all aspects of operational management.
- Records in the minutes of the proceedings of a "budget decision meeting" of Council the names of the Members who voted or abstained.
- When working in partnership, will take steps to develop working protocols, robust procedures for scrutiny of decisions and behaviour, and ensure meetings are held in public.
- Will respond accordingly to the new GDPR requirements from May 2018.

This page is intentionally left blank



Report to Audit Committee

Subject: **Sickness Absence**

Date: **20 March 2018**

Author: **Director of Organisational Development and Democratic Services**

1. Purpose of the Report

To provide the Audit Committee with further information regarding sickness absence following questions raised at the meeting on 19 December.

2. Background

- 2.1 At the Committee meeting on 19 December 2017, consideration was given to a report relating to the Corporate Risk Management Scorecard. Members requested more detailed information be provided to the Committee in relation to sickness absence. Answers to specific questions were provided by the Deputy Chief Executive and Director of Finance in a letter dated 16 January and this report sets out additional detail.
- 2.2 A summary of trends graph at Appendix 1 shows that since April 2017 there has been a continued reduction in sickness absence levels and from September absence has been within the target of 10 full time equivalent days lost per full time equivalent employee.
- 2.3 Sickness absence is monitored in a number of ways. Reports setting out individual employee absence are provided to Service Managers and Directors on a monthly basis; SLT consider the corporate position on a quarterly basis and sickness absence is a standing item for JCSC. The Service Manager, Organisational Development informs the Committee of the current levels of sickness absence in the organisation, examines trends and highlights areas of concern or improvement. Information is produced for each Service area each month in the form of a poster which is designed to raise awareness of sickness absence levels and aid team discussion. Individual cases are managed in accordance with the Attendance Management Policy by Managers. Where necessary, long term sickness absence is discussed at case conference by Director, Service Manager and Senior Personnel Officer. The purpose of these case conferences is to ensure that best practice, employment legislation and local policies are being applied correctly to support the employee both in their absence and to make an effective and appropriate return to work. Any blockages to this ambition can be identified at these meetings and dealt with by senior management intervention.
- 2.4 The issue of high levels of sickness absence, and particularly long-term absence during 2017 was a concern during 2017 and was highlighted to JCSC and identified in the Corporate Risk Scorecard reported to Audit Committee. In order to recognise the importance of these issues and encourage a stable and regular pattern of good attendance, a revised package of measures was introduced from 1 January 2018 through a new Attendance Management Policy. The main changes to the policy are:

- A change of the policy title from Sickness Absence Management Policy to Attendance Management Policy. The purpose of this is to widen the scope of the policy and to focus the emphasis on being at work rather than being away from work.
- To introduce into the policy, the opportunity to access talking therapies/ counselling through a newly introduced Employee Assistance Programme. Also, to encourage employees who are absent from work due to mental health issues to take advantage of this support particularly when an occupational health report suggests that there may be benefit.
- The introduction of access to physiotherapy on a “fast-track” basis when recommended by an occupational health physician, to help support a return to work.
- The previous policy statement excluded a single long period of absence (ten or more days for stages one and two, and five or more days for the final stage) from counting towards the number of days to reach a trigger point. This has been removed from the new policy, which means that a single longer period of absence can now move an employee to a trigger point. Audit Committee is to note that appropriate protection is offered to employees absent due to conditions such a recognised disability defined under the Equality Act or conditions relating to maternity or similar.
- The introduction of a clear policy statement to define the maximum length of time that an employee can be absent from work, irrespective of reason. Review will be undertaken after around eight months of absence and unless there is a likelihood of imminent return to work with supporting medical evidence then an expectation is introduced into policy that notice of dismissal will be served, effective at the anniversary date of continuous absence. Appeal rights are also included in the policy.
- Recognition of the Council’s commitment to the “Dying to Work” charter. An Employee Support Policy is introduced for employees having been diagnosed with a terminal illness to trigger (by the employee or employer depending on circumstance) a policy provision to allow for a period of one full year, management outside the normal sickness absence management procedures and without unnecessary administrative burden or obtrusive management intervention. The triggering of this Employee Support Policy is designed to support an employee to remain in employed status although they may not be in a position to attend work regularly, or indeed at all.

2.5 In view of the improvement in sickness absence levels it is not considered necessary to include it s an ongoing concern in the corporate risk scorecard. However the situation will be monitored and regularly reviewed.

3. Proposal

It is proposed that the Committee notes this report.

4. Resource Implications

None arising from this report.

5. Recommendation

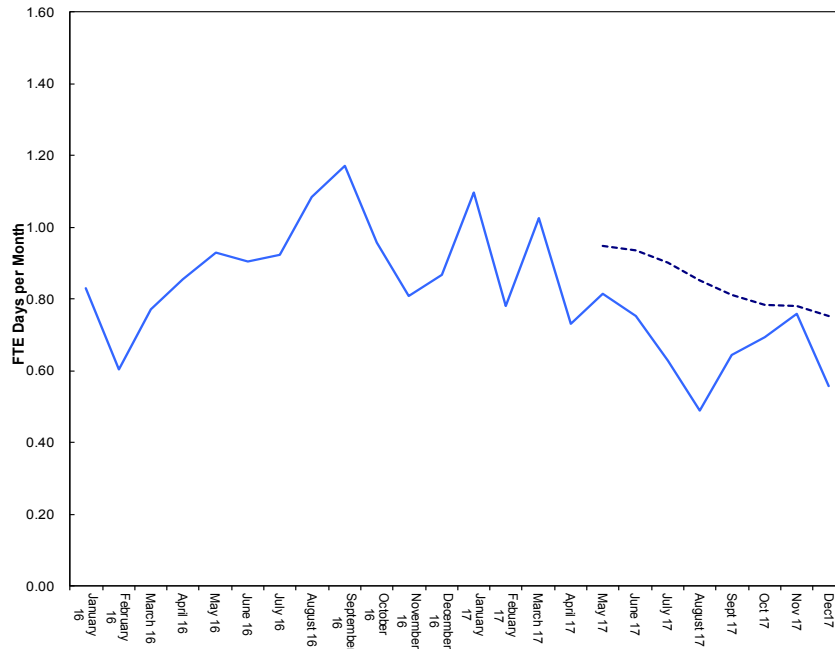
The Committee is asked to note this report.

6. Appendices

Appendix 1 – Summary of trends graph year to date.

Summary of trends graph; year to date at December 2017

Summary of Trends



FTE Days per FTE in Current Month

Month	Total Absence %	No of FTE Staff	12 Month Average (%)	FTE Days per FTE in Current Month	FTE Days per FTE 12 Month Average	FTE Days per FTE per Month Average
January 16	4.16	381.49	2.76	0.83	7.01	0.58
February 16	2.88	384.42	2.78	0.61	7.01	0.58
March 16	3.67	384.63	2.86	0.77	7.24	0.60
April 16	4.08	385.75	3.01	0.86	7.66	0.64
May 16	4.65	388.82	3.20	0.93	8.18	0.68
June 16	4.12	389.18	3.40	0.91	8.78	0.73
July 16	4.40	387.34	3.64	0.92	9.36	0.78
August 16	4.93	390.93	3.91	1.09	10.02	0.84
September 16	5.32	390.53	4.18	1.17	10.81	0.90
October 16	4.55	389.26	4.27	0.96	11.07	0.92
November 16	3.67	389.12	4.24	0.81	11.00	0.92
December 16	4.34	387.30	4.23	0.87	11.00	0.92
January 17	5.23	387.81	4.32	1.10	11.22	0.94
February 17	3.90	387.61	4.41	0.78	11.42	0.95
March 17	4.47	385.87	4.47	1.03	11.73	0.98
April 17	4.06	379.37	4.47	0.73	11.61	0.97
May 17	3.88	384.12	4.41	0.81	11.38	0.95
June 17	3.43	379.47	4.35	0.75	11.25	0.94
July 17	2.99	378.65	4.23	0.63	10.84	0.90
August 17	2.22	378.65	4.01	0.49	10.23	0.85
Sept 17	3.07	374.69	3.82	0.64	9.75	0.81
Oct 17	3.16	379.55	3.70	0.69	9.42	0.79
Nov 17	3.46	383.00	3.68	0.76	9.38	0.78
Dec 17	2.93	379.78	3.57	0.56	9.05	0.75



Report to Audit Committee

Subject: Corporate Risk Management Scorecard

Date: 20 March 2018

Author: Deputy Chief Executive and Director of Finance

1. Purpose of the Report

To update members of the Audit Committee on the current level of assurance that can be provided against each corporate risk.

2. Background

The current Risk Management Strategy & Framework was last considered and approved by the Cabinet in October 2017.

The purpose of the Strategy and Framework is to define how risks are managed by the Council. It provides guidance on the processes, procedures, roles and responsibilities for risk, and it sets out the context on how risks are to be managed. It defines the key role for the Audit Committee as providing independent assurance to the Council with regard to the effectiveness of the risk management framework and the associated control environment. This includes the monitoring of the framework and ensuring the implementation of all audit actions.

The Corporate Risk Register is a key enabler of the Strategy and Framework, and provides assurance on the key risks identified as Corporate risks.

Existing risks identified within both the Council's corporate and operational service risk registers are subject to quarterly review by senior management and on an ongoing basis through the work of Internal Audit.

3. Corporate Risk Register

This new approach has meant that significant changes have been made to the monitoring of risks and the subsequent reporting arrangements to this committee. This has meant that some of the risks included within the corporate risk register have been set at a relatively high score with the expectation that as mitigation measures are properly recorded or actions taken, then these risks should start to improve over the coming months. This is not to say that all risks will return to 'green', as mitigation

measures can only go so far, and some risks may always be inherently 'red' or 'amber' as the score reflects the potential impact on the Council and the likelihood of that event occurring.

The Corporate Risk Register and supporting comments as at the end of February 2018 are appended to this report, and this includes a summary of all control gaps currently identified on the Council's Corporate Risk Register.

4. Resource Implications

To be delivered within existing budgets.

5. Recommendation

That the Audit Committee notes the progress of actions identified within the Corporate Risk Register.

Appendix 1 - Corporate Risk Register Monitoring – February 2018

1	<p>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Shorter term implications of overspending budgets or not collecting as much income as forecasted. This can cause adverse impact on Council balances.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>Quarter 3 budget monitoring was reported to Cabinet in February. This projected a £110k underspend at year-end. In regard to the budget reduction programme for 2017/18, the latest projections are that £486k will be delivered against the £532k target, with £21k to be deferred until 2018/19, and £25k no longer expected to be delivered. However, this will be fully offset by the early delivery of some proposals totalling £95k which were initially planned for 2018/19.</p> <p>Consequently there are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
2	<p>FAILURE TO MAINTAIN FINANCIAL INTEGRITY</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: RED – NO CHANGE</p> <p>Definition:</p> <p><i>Affecting the ability of the Council to meet its financial commitments in the longer term.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Critical - £1m+</p>

	<p>Corporate Risk Register Outstanding Controls:</p> <p>Council approved a balanced budget for 2017/18 in March 2017. As part of this process, a budget reduction target of £1.694m was approved for inclusion into the Medium Term Financial Plan over the years 2017/18 to 2021/22. The budget process also identified a further £1.9m budget reduction target that would need to be delivered between 2018/19 and 2020/21 to maintain balances at their minimum levels. The 2018/19 budget approved by Council in March 2018 included detailed plans to deliver £1.3m of this target and approved a new budget reduction target of £1.1m with instructions to officers to develop further plans during the 2019/20 budget process.</p> <p>The Council has recently launched its new ‘Dynamic Council’ approach to working, which includes the adoption of a project / programme management approach combined with delivering on four separate themes: digitalisation, agile working, demand management, and commercialisation. The work to meet these themes is being delivered by 12 separate project groups, and all of this work will need to become embedded before it has an impact on the modernisation of the Council.</p> <p>Commercialisation will have a focus on the generation of income, a key part of which will be marketing to ensure that income levels from services are maintained or increased, and also the Council’s approach to property development which has inherent risks attached. As part of this, a future potential move to local authority trading companies will be a new venture for the Council, and this again will need to be managed carefully at the appropriate time to avoid risk to service provision.</p> <p>Major financial issues moving forward will be the volatility and continuity of the New Homes Bonus grant, the impact of Universal Credit and other housing benefit reforms on the value of the benefit subsidy administration grant, and national changes being made in relation to Business Rates and retrospective appeals.</p>
3	<p>FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Ineffective systems, processes and equipment that can present danger to individuals or groups of employees.</i></p> <p>Key Risk Driver: Health & Safety</p>

	<p>Raw Risk Value: Major – Loss of life / major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>Officers need to undertake a comprehensive review of all risk assessments held within the Council and centralise the recording system (these are either currently held individually by service managers or do not exist). A new electronic system 'AssessNET' is rolled-out and it will be the responsibility of all Service Managers to ensure their risk assessment data is input onto this new system.</p>
4	<p>FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.</i></p> <p>Key Risk Driver: Service Provision</p> <p>Raw Risk Value: Serious – Significant elements of a service suspended / reduced</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>In some areas, recruitment and retention of staff is becoming an increasing problem for the Council to remain competitive, particularly where recruitment competes with the private sector, although it is recognised that the pay line review has improved the position. This is however beginning to pose a specific problem with respect to experienced technically qualified professional staff, where honorariums and market supplements are being used to combat the difficulties.</p> <p>As a consequence of budget pressures, decreasing workforce, increasing workload and customer expectations we are seeing an impact on capacity and resilience. A further reduction in the workforce will place greater demands on remaining staff, increase the risk of poor resilience and a potential reduction in performance. Work is needed to help improve organisational capacity and resilience by developing the skills and abilities of key leaders and staff. A Workforce Strategy which aligns with Dynamic Council themes needs to be developed to ensure that staff are creative, flexible and have the right skills to respond positively to the challenges that lie ahead</p>

	<p>Sickness absence has improved and from September absence has been within the target of 10 full time equivalent days lost per full time equivalent employee. In view of the improvement in sickness absence levels it is not considered necessary to include it as an ongoing concern in the corporate risk scorecard. However the situation will be monitored and regularly reviewed.</p>
5	<p>FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>The capacity of the Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. Challenges over the security, storage and retention of both electronic and manual records, and data.</i></p> <p>Key Risk Driver: Objectives</p> <p>Raw Risk Value: Major – Directorate objectives not met</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The Council's Digital Strategy sets out a requirement that the technological solutions we invest in are used to their full potential, and work needs to continue to achieve this.</p> <p>The lack of resource within ICT budgets and capacity of staff is starting to impact on the Council's development of ICT moving forwards, and this is a key requirement of the Digital Strategy. A request for additional resources from the Transformation Fund has been made in order to resolve this issue.</p> <p>Work is ongoing to ensure the Council responds to the requirements of the General Data Protection Regulation which comes into force in May 2018. Training will be delivered for all staff and members in due course.</p> <p>A comprehensive Cyber Security risk assessment is being undertaken which needs to be completed.</p>
6	<p>FAILURE TO PROTECT & UTILISE PHYSICAL ASSETS</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p>

	<p>Definition:</p> <p><i>Buildings that are fit for purpose, safe, secure, and meet legislative requirements for fire, asbestos, and water-testing. Land, buildings and other assets to be recorded on a database.</i></p> <p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life / major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>A full condition survey of all council-owned buildings is required, and action is being taken in this regard.</p> <p>Risk assessments of buildings are in place but will require updating as part of the roll out of the new AssessNET system. A register is in place to record fire, asbestos and water testing at each site, but this needs to be centralised – again action is being taken in this regard.</p> <p>The existing Asset Management Plan is out of date and will be updated by March 2018.</p> <p>Work needs to be undertaken as regards a comprehensive tree register.</p>
7	<p>FAILURE TO REACT TO CHANGES IN LEGISLATION</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Associated with current or potential changes in national or European law which can lead to possible breaches of legislation. Assessing the wider implications of new legislation on both the Council and its residents.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Major - £500k - £1m</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The Council is still responding to changes in the ‘benefit cap’ as prescribed under the Welfare Reform and Work Act 2016. It will also need to respond to further changes as part of the roll-out of Universal Credit. This is likely to create hardship and increase council tax arrears and collection costs.</p>

	<p>The Council is still preparing for the introduction and implications of the Homelessness Reduction Act 2017, which becomes effective from April 2018.</p> <p>The Council has to ensure it is ready for the introduction of the General Data Protection Regulation in May 2018.</p>
8	<p>FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Associated with the failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The Council is currently constructing a new Partnerships Register which will be reviewed by both SLT and a specific project group under the 'Dynamic Council' approach. Work is still required to review and finalise governance arrangements in relation to significant partnerships.</p> <p>The Council is working on improving its Contracts Register used for medium to large procurement exercises.</p>
9	<p>INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Councils are increasingly vulnerable to judicial reviews and new compensation claims.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p>

	<p>Corporate Risk Register Outstanding Controls:</p> <p>The numbers and value of insurance claims are reducing and consequently there are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
10	<p>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Related to channel shift to more digital on-line services but retaining the availability of face-to-face services. Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>More services are now being migrated onto digital platforms, consequently there are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
11	<p>FAILURE TO PREVENT DAMAGE TO THE COUNCIL’S REPUTATION</p> <p>Owner: John Robinson</p> <p>Current Risk and Direction of Travel: GREEN – IMPROVEMENT</p> <p>Definition:</p> <p><i>Related to the Council’s reaction to a specific event or issue, or generally a downturn in quality of service.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>There are currently no outstanding control gaps in the strategic or</p>

	<p>operational risk registers relating to this corporate risk.</p> <p>Quarterly monitoring of performance information by SLT is an embedded process and timely management action is taken to address any service quality issues arising.</p>
12	<p>FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT</p> <p>Owner: John Robinson</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The Emergency Plan has recently been updated, consequently there are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
13	<p>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</p> <p>Owner: John Robinson</p> <p>Current Risk and Direction of Travel: GREEN- IMPROVEMENT</p> <p>Definition:</p> <p><i>Relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to meet its objectives.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Serious– Adverse regional publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>

	The Senior Leadership Team receives economic indicator reports on a quarterly basis that reports over the themes of homelessness, new homes, benefits and income, and local economy. SLT reflect on these demographic trends and ensure they are fully reflected in service planning processes to ensure needs continue to be met.
--	--

HIGH RISK AUDIT RECOMMENDATIONS RAISED IN PREVIOUS YEARS BUT NOT YET IMPLEMENTED:

There are no high risk audit recommendations from previous years that have not been addressed and implemented.

HIGH RISK AUDIT RECOMMENDATIONS RAISED IN THIS FINANCIAL YEAR:

There has been one high risk audit recommendation made this financial year in respect of segregation of duties in the Housing Benefit payment process with management actions agreed as follows:

“BACS files will be reviewed before being imported into Civica with random spot checks being undertaken to ensure bank details have not been amended. Independent checks will be undertaken to ensure accurate housing benefits are made to claimants.”

“A suggested payment report will be produced and signed by one member of staff. The final BACS submission will be performed by an independent staff member to ensure segregation of duties.”

The Service has confirmed that this action has now been implemented. The Internal Audit Team are due to complete a follow-up audit in week commencing 19 March and will undertake a review to ensure the new process has been effectively implemented.

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

Date refreshed: **01 March 2018**

Likelihood	Very High	E					
	High	D					2
	Significant	C		4	3, 5, 6, 7		
	Low	B	1,10,12		8		
	Very Low	A			9		
			1	2	3	4	5
			Negligible	Minor	Serious	Major	Critical
			Impact				



Report to Audit Committee

Subject: KPMG Certification of Grants Annual Report 2016/17

Date: 20 March 2018

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 2016/17 at Gedling Borough Council. KPMG have not made any recommendations for improvements to the Housing Benefit Subsidy claims completion process during the 2016/17 audit. Two recommendations for improvements were made during the 2015/16 audit and the attached report confirms that these have now been implemented.

2. Recommendation

Members are requested to note the report.

This page is intentionally left blank



KPMG LLP
Infrastructure, Government & Healthcare
St Nicholas House
Park Row
Nottingham
United Kingdom

Tel +44 (0) 115 935 3560

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

26 February 2018

Dear Mike

Gedling Borough Council - Certification of claims and returns - annual report 2016/17

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 2016/17.

In 2016/17 we carried out certification work on one claim/return, the Housing Benefit Subsidy claim. The certified value of the claim was £26.2 million, and we completed our work and certified the claim on 30 November 2017.

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 two 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 error we undertook further testing of 40 cases for the type of error, the results of which we summarised in a qualification letter to the DWP.

Our initial testing identified:

- 1 instance where an underpayment recovered against an overpayment in the same period had been offset incorrectly resulting in an underpayment of benefit. We undertook testing of 40 similar cases. From this we identified three cases of underpaid benefit (total value of the error for these three cases was £84) and one case of overpaid benefit (total value of the error was £17). This issue was reported in our qualification letter to the DWP.
- 1 instance where the overpayment and underpayment for a Non- HRA case offset correctly but the subsidy calculated by the system was incorrect resulting in the cell being over claimed. We were able to undertake a 100% testing over the respective sub-population where three further errors were identified and resulted in an amendment to the claim.

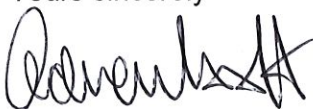
We have made no recommendations to the Council to improve its claims completion process for this year, however, there were two recommendations made last year.

In our 2015/16 Certification Annual Report we raised two recommendations relating to sense checking subsidy audit trail reports to investigate high value claims and for key individuals within the Benefits team to be trained to support the Benefits manager and improve wider knowledge in regards to the subsidy element of Housing Benefits. Full details are included in Appendix 1.

Certification work fees

Public Sector Audit Appointments set an indicative fee for our certification work in 2016/17 of £10,313. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £10,562.

Yours sincerely



Andrew Bush
Engagement Lead

Appendix 1 – Follow up of 2015/16 Certification of Claims and Returns Recommendations

Number	Prior year recommendation	Priority	Status as at November 2017
1	<p><u>High value claims</u></p> <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.</p>	Medium	<p>Implemented</p> <p>The Authority has undertaken checking processes to sense check high value claims.</p>
2	<p><u>Training</u></p> <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.</p>	Medium	<p>Implemented</p> <p>Workbook completion and 100% checks have been carried out by two additional members of staff this year to support the Benefits Manager and improving the wider knowledge of subsidy within the Benefits team</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' 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, SW1P 3HZ.



Report to Audit Committee

Subject: KPMG 2017-2018 External Audit Plan

Date: 20 March 2018

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 2017/18 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 2017/18 and recommends the report to full Council.

This page is intentionally left blank

An aerial photograph showing a large, vibrant green field on the left, separated from a residential area on the right by a narrow road. The field has visible diagonal lines, possibly from mowing or plowing. The residential area features several houses with white walls and dark roofs, some with red roofs, and lush green lawns. A few cars are parked along the road.

External Audit Plan 2017/2018

**Gedling Borough
Council**

March 2018

Summary for Audit Committee

Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017.

Whilst the Authority chose to advance its own accounts production timetable last year, further advances will be required this in order to ensure that deadlines are met. As a result we have recognised a significant risk in relation to this matter.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

Materiality

Materiality for planning purposes has been 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:

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Pension Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation; and
- **Faster Close** – As set out above, the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). There are a number of logistical challenges that will need to be managed, one of which is ensuring any third parties involved in the production of the accounts are aware of revised deadline. We will work with the Authority in advance of our audit to understand the steps being taken to meet these deadline and the impact on our work.

Summary for Audit Committee (cont.)

Value for Money Arrangements work

Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risk to date:

- **Delivery of Budgets** – As a result of reductions in central government funding, and other pressures, the Authority is having to make additional savings beyond those from prior years and also pursue income generation strategies. We will consider the way in which the Authority identifies, approves, and monitors both savings plans and income generation projects and how budgets are monitored throughout the year.

See pages 10 to 14 for more details

Logistics

Our team is:

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

More details are in **Appendix 2**.

Our work will be completed in four phases from December to July and our key deliverables are this Audit Plan and a Report to Those Charged With Governance as outlined on **page 17**.

Our fee for the 2017/18 audit is £42,570 (£42,570 2016/2017) see **page 16**.

Acknowledgements

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

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, 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, the National Audit Office’s Code of Audit Practice and the PSAA Statement of Responsibilities.

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

- 01 | **Financial statements :**
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and
- 02 | **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. Any change to our identified risks will be reporting to the Audit Committee.

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 9 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our VFM risk assessment.



Financial statements audit planning

Financial Statements Audit Planning

Our planning work takes place during December 2017 to February 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use of experts; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Auditing 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.

01

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.

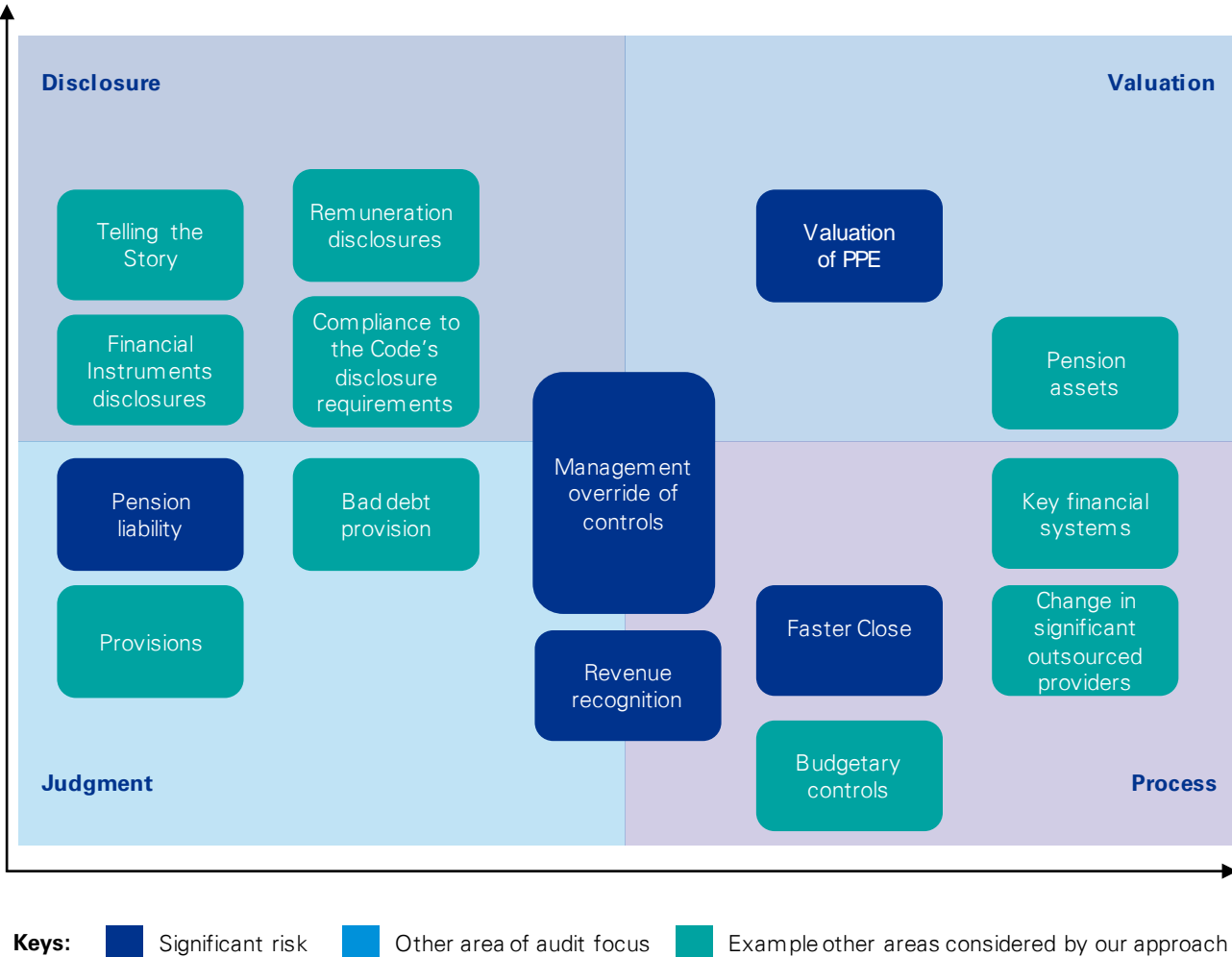
02

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.

Financial statements audit planning (cont.)

The diagram below 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.



Financial statements audit planning (cont.)

Significant Audit Risks

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

Risk:	<p>Valuation of PPE</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a two year cycle. As a result of this, however, individual assets may not be revalued for four years.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 1 April, there is a risk that the fair value is different at the year end.</p>
Approach:	<p>We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year.</p> <p>In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time. We will utilise a valuation specialist to assess this.</p> <p>In relation to those assets which have been revalued during the year we will assess the valuer’s qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).</p>

Financial statements audit planning (cont.)

Significant Audit Risks (cont.)

Risk:	<p>Pension Liabilities</p> <p>The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of Nottinghamshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority’s valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority’s pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>
Approach:	<p>As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Barnett Waddingham.</p> <p>We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG Actuary. We will review the methodology applied in the valuation by Barnett Waddingham.</p> <p>In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.</p>

Financial statements audit planning (cont.)

Significant Audit Risks (cont.)

Risk:	<p>Faster Close</p> <p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.</p> <p>In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:</p> <ul style="list-style-type: none">— Ensuring that any third parties involved in the production of the accounts (including valuers and actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;— Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;— Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and— Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report. <p>In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.</p> <p>There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority’s Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.</p>
Approach:	<p>We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Authority is taking in order to ensure it meets the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.</p> <p>Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.</p>

Financial statements audit planning (cont.)

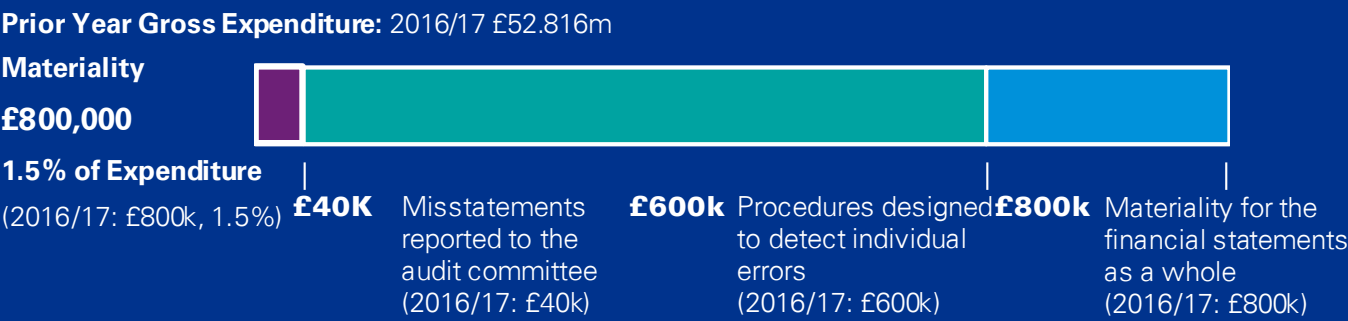
Materiality

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.

For the Authority, materiality for planning purposes has been set at £800,000, which equates to 1.5 percent 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 has 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.



Non-Trivial corrected audit misstatements



Non-trivial uncorrected audit misstatements



Errors and omissions in disclosure
(Corrected and uncorrected)

Value for money arrangements work

VFM audit approach

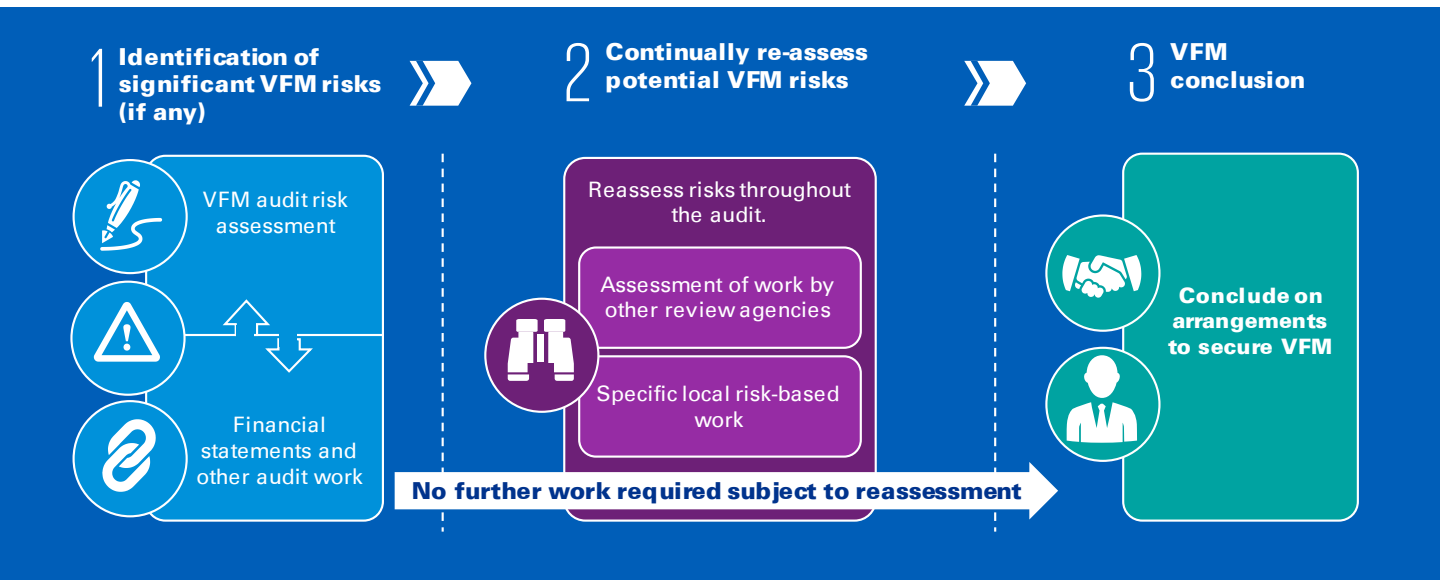
The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority ‘has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources’.

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.’

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.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



Value for money arrangements work (cont.)

Value for Money sub-criterion

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



VFM audit risk assessment

Audit approach

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 *Code of Audit Practice*.

In doing so we consider:

- 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

Audit approach

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.

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.



Identification of significant risks

Audit approach

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.*'

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:

- 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



Assessment of work by other review agencies, and Delivery of local risk based work

Audit approach

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.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will 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:

- Additional meetings with senior managers across the Authority;
- Review of specific related 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

Audit approach

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.

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.



Reporting

Audit approach

We have completed our initial VFM risk assessment and have identified one significant VFM risk. On the following page, we report the results of our initial risk assessment.

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.

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.

Value for money arrangements work (cont.)

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:	<p>Delivery of budgets</p> <p>The Authority’s net revenue budget of £12.481m was approved by full Council in March 2017. In addition to this planned savings of £1.694m was also approved over the period 2017/18 to 2021/22, of which £532k was approved for delivery in 2017/18.</p> <p>Planned savings have been set to principally address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority’s financial resilience.</p> <p>The forecast as at Quarter 3 projects an underspend of £110,000 in relation to the budget and in terms of savings indicates that £25,000 will not be achieved and a further £21,000 will be delayed until 2018/19. However, this will be fully offset by the early delivery of some proposals, totalling £94,700, which were initially planned for 2018/19.</p> <p>We noted in our 2016/17 ISA260 document, how the Authority was required to generate a further £1.9m of savings over the medium term (2017/18 to 2020/21), but at the time of writing was in the process of progressing detailed plans.</p> <p>Therefore we consider this to be a significant risk.</p>
Approach:	<p>As part of our additional risk based work, we will undertake the following procedures over this significant risk:</p> <ul style="list-style-type: none">— We will review the controls the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors;— Review the reported actual delivery of the Authority’s savings programme compared to planned savings;— Consider the Authority’s main income streams and the impact the Local Government Settlement has on these and how the Authority is working to mitigate the corresponding risks to service delivery; and— Discuss the arrangements the Authority has in place in identifying savings for 2018/19.
VFM Sub-criterion:	<p>This risk is related to the following Value For Money sub-criterion</p> <ul style="list-style-type: none">— Informed decision making;— Sustainable resource deployment; and— Working with partners and third parties

Other matters

Whole of government accounts (WGA)

We are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, asset and liabilities of the Authority. Deadlines for completion of this for 2017/18 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.



Other matters

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 2017/2018 presented to you in April 2017 first set out our fees for the 2017/2018 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage, but we do note that specific risks have been identified in respect of VFM, pensions and the valuation of PPE, which may require an additional fee request at a later stage.

Should there be a need to charge additional audit fees then this will be agreed with the s.151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £42,570, consistent with the fee in 2016/2017 of £42,570. Note that we agreed a fee variation of £794 in regards to last year's external audit which is currently with the PSAA for approval. The fee variation relates to the additional audit work required in order for us to sign our accounts opinion relating to:

- Restatement of the Comprehensive Income and Expenditure Statement.

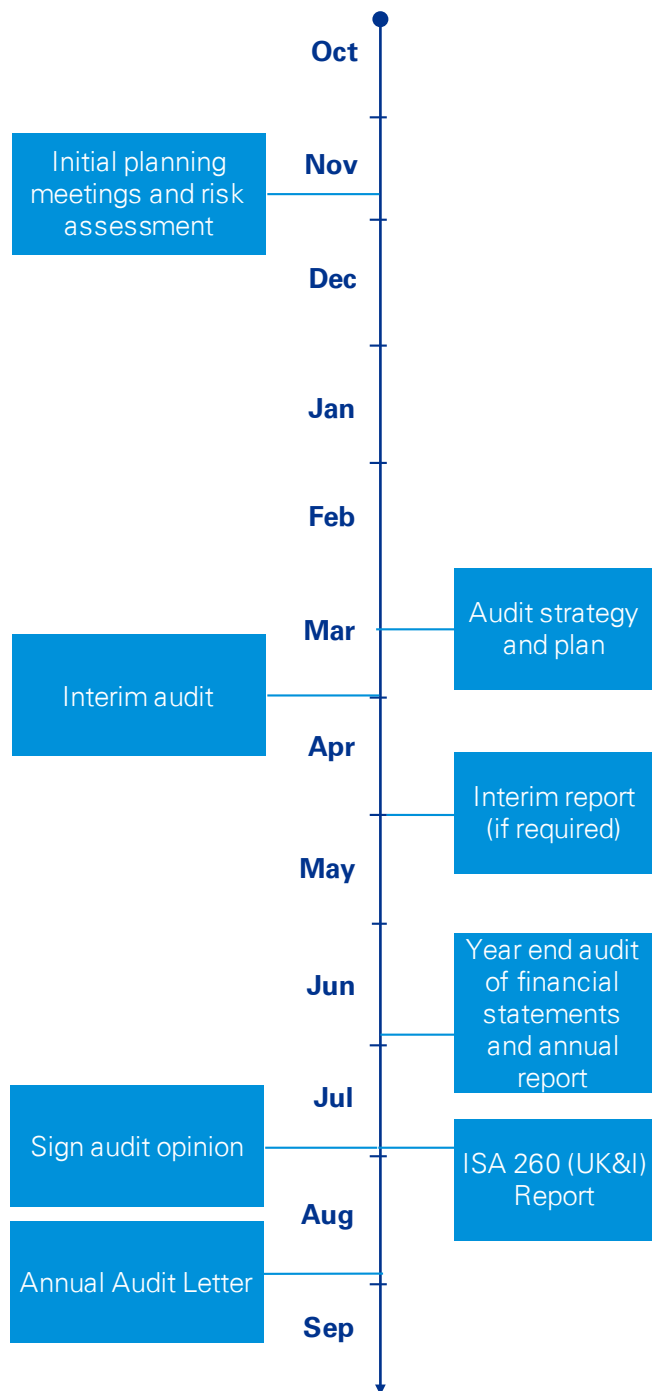
Our scale fee in regards to the Authority's Housing Benefits audit for 2017/18 is £10,562. This fee is determined by PSAA.

Appendix 1:

Key elements of our financial statements audit approach

Communication

Continuous communication involving regular meetings between Audit Committee, Senior Management and audit team.



Appendix 1:

Key elements of our financial statements audit approach (cont.)

Audit workflow

Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

Control evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of the accounts being misstated

Substantive testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

Completion

- Perform completion procedures
- Perform overall evaluation
- Form an audit opinion
- Audit Committee reporting

Appendix 2:

Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Gedling Borough Council audit last year.



Andrew Bush
Director

T: +44 (0) 11 593 53560
E: andrew.bush@kpmg.co.uk

‘My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit Committee and Chief Executive.’



Thomas Tandy
Manager

T: +44 (0) 11 5945 4480
E: tandy.thomas@kpmg.co.uk

‘I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Andrew to ensure we add value. I will liaise with the Deputy Chief Executive and Director of Finance and other Executive Directors.’



Arvinder Khela
Assistant Manager

T: +44 (0) 12 1609 5880
E: arvinder.khela@kpmg.co.uk

‘I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.’

Appendix 3:

Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF GEDLING BOROUGH COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its affiliates for professional services provided by us during the reporting period.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table

Analysis of Non-audit services for the year ended 31 March 2018

See table overleaf.

Appendix 3:

Independence and objectivity requirements
(cont.)

Independence and objectivity considerations relating to the provision of non-audit services (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Value of Services Delivered in the year ended 31 March 2018 £000	Principle threats to independence and Safeguards Applied
In May 2011 the Council engaged KPMG to provide services to assist with the recovery of VAT in respect of sports fields and related facilities. The fee was originally contingent however following our appointment as external auditor in 2012/13 was converted to an agreed fixed fee basis which was approved by Public Sector Appointments Limited (PSAA) in January 2016.	No billed fees in 2017/18. Billed fees totalling £33,000 up to 2015/16.	<p>This engagement is entirely separate from the audit through a separate contract, engagement team and lead partner. In addition, the audit fee scale rates were set independently to KPMG by the PSAA. Therefore, the proposed engagement will have no perceived or actual impact on the audit team and the audit team resources that will be deployed to perform a robust and thorough audit.</p> <p>In May 2011 the Authority engaged KPMG to provide services to assist with the recovery of VAT in respect of sports fields and related facilities. Therefore, it does not impact on our opinion and we do not consider that the outcome of this work will be a threat to our role as external auditors. The existence of a separate team for this work is a further safeguard. Consequently, we consider we have appropriately managed this threat.</p> <p>This work will be advice and support only –all decisions will be made by the Authority.</p> <p>This threat is limited given the scale, nature and timing of the work. The existence of the separate team for this work is the key safeguard.</p> <p>We will not act as advocates for the Authority in any aspect of this work.</p>

Appropriate approvals have been obtained from PSAA for all non-audit services above the relevant thresholds provided by us during the reporting period. In addition, we monitor our fees to ensure that we comply with the 70% non-audit fee cap set by the NAO.

Appendix 3:

Independence and objectivity requirements (cont.)

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Andrew Bush

KPMG LLP



kpmg.com/uk



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.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 [...], 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.

© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

CREATE: CRT086281A



Report to Audit Committee

Subject: Internal Audit Progress Report 2017/18

Date: 20 March 2018

Author: Chris Williams – Head of Internal Audit (RSM)

1. Purpose of the Report

To summarise the outcome of the internal audit activity completed by the RSM Internal Audit Team for the period December 2017 – March 2018.

2. Background

The internal audit plan 2017/18 was approved by Audit Committee on 21 March 2017. This report provides a summary update on all the final reports issued by RSM in the period December 2017 to March 2018 and highlights associated key findings and any concerns identified in any work in progress.

3. Proposal

The reports and findings considered at this Audit Committee are detailed in the appendix and include:

2017/18 Reports

- 10.17/18 – Events Management;
- 11.17/18 – Organisational Development;
- 14.17/18 – Contract Management;
- 15.17/18 – Debtors and Debt Recovery;
- 16.17/18 – Partnerships and Voluntary Sector Grant Aid;
- 17.17/18 – Main Accounting System;
- 20.17/18 – Capital Accounting and Asset Register; and
- 21.17/18 – Budgetary Control and Setting.

4. Resource Implications

The internal audit plan is delivered within the approved budgets.

5. Recommendation

Members receive the Report and note actions taken or to be taken.

6. Appendices

RSM Internal Audit Progress Report



GEDLING BOROUGH COUNCIL

Internal Audit Progress Report

Audit Committee

20 March 2018

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.



CONTENTS

1 Introduction.....	3
2 Reports considered at this Audit Committee.....	4
3 Looking ahead.....	7
Other matters.....	8
Appendix A: Internal audit assignments completed to date	9
For further information contact	11

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.

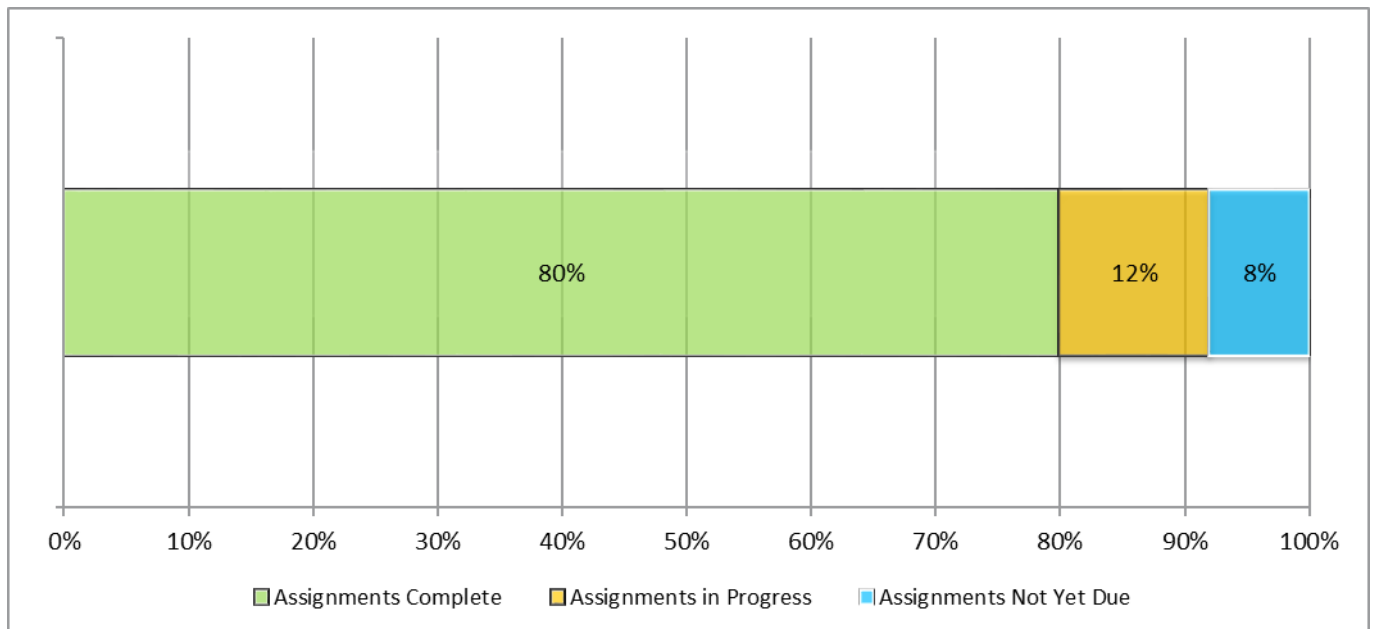
We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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 2017/18 was approved by the Audit Committee on 21 March 2017; RSM were allocated a total of twenty-five 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		
			H	M	L
Events Management (10.17/18)	Final		0	0	1
Organisational Development (11.17/18)	Final	Advisory Review	n/a	n/a	n/a
Contract Management (14.17/18)	Final		0	1	3
Debtors and Debt Recovery (15.17/18)	Final		0	1	2
Partnership and Voluntary Sector Grant Aid (16.17/18)	Final		0	1	4
Main Accounting System (17.17/18)	Final		0	0	1
Capital Accounting and Asset Register (20.17/18)	Final		0	0	2
Budgetary Control and Setting (21.17/18)	Final		0	0	0

2.1 Impact of findings to date



Events Management

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one low priority finding was identified, and a management action was agreed for the finding.



Organisational Development

Conclusion: Advisory Review

Impact on Annual Opinion: Not applicable

The key findings and observations are detailed in the Executive Summary and Action Plan attached to this report.



Contract Management

Conclusion: Reasonable Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken one medium and three low priority findings were identified, and management actions were agreed for all findings.

The medium finding relates to:

- Through testing of a sample of 20 contracts selected from the contracts register confirmed that in two instances, there was no evidence to confirm a signed contract was in place with the supplier or contract administrator.
-



Debtors and Recovery

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one medium priority and two low priority finding were identified, and management actions were agreed for all findings.

The medium finding relates to:

- The Sundry Debtor Administration Policy had not been updated since June 2012 and in line with good practice policies should be updated every three years.
-



Partnerships and Voluntary Sector

Conclusion: Reasonable Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one medium priority and four low priority findings were identified, and management actions were agreed for all findings.

The medium finding relates to:

- The partnerships register is not currently reported to the Audit Committee, as stipulated as a requirement on the register. Testing also identified that the partnership register is not up to date.
-



Main Accounting

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one low priority finding was identified, and a management action was agreed for the finding.



Capital Accounting and Asset Management

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken two low priority findings were identified, and management actions were agreed for both findings.



Budgetary Control and Setting

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken no findings were identified.

3 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2017/18	Status
Council Tax and NNDR	Q3	Draft Report Issued
Treasury Management	Q4	Fieldwork Completed
Housing Needs	Q4	In Progress
Follow Up	Q3	Scheduled 21/03/2018
Risk Management	Q3	Scheduled 26/03/2018

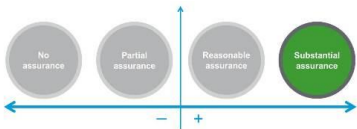
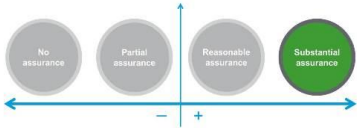
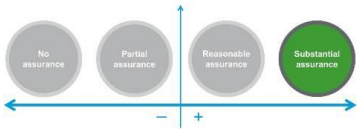
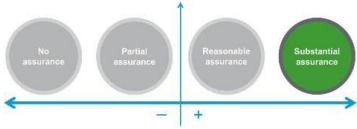
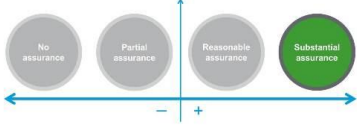
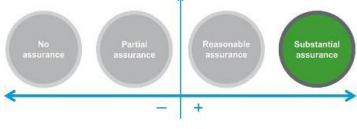
OTHER MATTERS

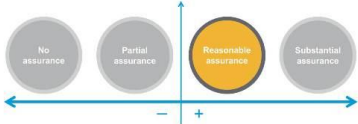
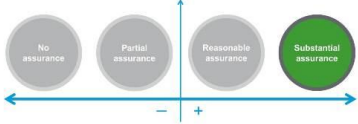

3.1 Changes to the audit plan

At the request of management, the 'Reconciliations' audit has been removed from the internal audit plan as this area can be reviewed as part of other individual audit reviews.

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Report previously seen by the Audit Committee and included for information purposes only:

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Follow Up 1 (1.17/18)	Final	Reasonable Progress	0	1	4
Geographic Information Systems, Land Charges, Street Naming & Numbering (2.17/18)	Final		0	0	3
Corporate Governance (3.17/18)	Final		0	0	0
Ethical Phishing Campaign (4.17/18)	Final	Advisory A simulated phishing campaign to assess the level of user awareness in respect of current cyber risks was undertaken.			
Cash and Banking (5.17/18)	Final		0	1	3
S106 Agreements & Community Infrastructure Levy (6.17/18)	Final		0	0	0
Creditors and e-Procurement (7.17/18)	Final		0	0	2
Car Parks (8.17/18)	Final		0	1	1

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Housing Benefits and Council Tax Reduction Scheme (9.17/18)	Final		1	0	1
Enforcement (12.17/18)	Final		0	0	2
Payroll (13.17/18)	Final		0	0	0

FOR FURTHER INFORMATION CONTACT

Chris Williams, Head of Internal Audit

chris.williams@rsmuk.com

Tel: 07753 584 993

Amjad Ali, Senior Manager

amjad.ali@rsmuk.com

Tel: 07800 617 139

Address:

RSM Risk Assurance Services LLP

Suite A, 7th Floor
City Gate East
Tollhouse Hill
Nottingham NG1 5FS

Phone: 0115 964 4450

EVENTS MANAGEMENT - EXECUTIVE SUMMARY

1.1 Background

An audit of Events Management was undertaken as part of the approved internal audit periodic plan for 2017/18.

The events management process is the responsibility of the Community Relations department managed by the Service Manager – Community Relations. The department organise and host numerous events on an annual basis which are approved by Cabinet, with the largest of the events being the Arnold Carnival which over the weekend will have a footfall of around 28,000 visitors. The Council also host a variety of smaller events such as Play Days, Themed Events (Spring, Halloween, Christmas) and some assisted events such as the Skate Jam.

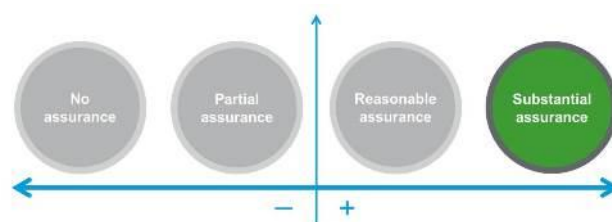
For 2016/17 the department had an approved budget of £804,100 with this increasing to £861,800 in the 2017/18 financial year from which a budget of £38,700 was issued to deliver the Arnold Carnival which finished under budget at £37,679.

1.2 Conclusion

Our review identified that internal controls for the events management process are in place and working effectively for the organising, marketing and evaluating of Council run events. However, we have identified one 'low' management action relating to the renewal of a risk assessment prior to an event taking place.

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 risk(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Proposed events are presented to Cabinet on an annual basis, for review and approval, thus permitting the Community Relations department to deliver the plan for the year ahead.
- Budgets are approved on an annual basis by Council and this budget is then allocated across the events to ensure appropriate delivery, marketing and planning can be achieved to deliver the agreed events plan.
- For income received from charity, craft and trade stalls at the Arnold Carnival, the amounts could be traced from the original application forms, through to the cash book and receipt book with no discrepancies and adequate segregation of duties.
- Following completion of events, the Events and Play Officer completes a debrief documenting an overview of the event and any lessons to be learned for future planning and delivery of events. Any feedback received from event guests is retained on file and is used to inform if negative.

- The Council uses a variety of media to ensure maximum promotion of the events including: social media, Council website and local news. From review of the advertisements and marketing material it was confirmed that the Council's brand guidelines had been adhered to.

However, the following weakness was noted:

- For the themed events held at the Civic Centre, a risk assessment was in place however, it was last updated in 2015 and therefore it is potentially out of date. An out of date risk assessment may not effectively capture all the risks arising at a current event. Any unforeseen and therefore, unmitigated risks could have a negative reputational and financial impact to the Council, should a risk materialise.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design not effective*		Non-Compliance with controls*		Agreed management actions		
					Low	Medium	High
Inefficient management of Council related events.	0	(11)	0	(11)	1	0	0
Lack of centralised control over marketing; use of corporate branding, use of events / promotional supplier.	0	(2)	0	(2)	0	0	0
Total					1	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

ORGANISATIONAL DEVELOPMENT - EXECUTIVE SUMMARY

1.1 Background

A review of Organisational Development was undertaken as part of the 2017/18 internal audit periodic plan. A high-level scope for the audit was agreed with the Director of Organisational Development & Democratic Services and the Service Manager Organisational Development.

The survey "Local State We're in 2017" identified challenges which the Council need to respond to. This audit is in relation to one of the challenges: "Focusing on building the right skills, capabilities and processes to secure organisational resilience and managing key organisational risks".

The 'digital revolution' is transforming the way that many people live their lives, from the way they purchase goods and services to the way they communicate with others and this trend will continue. Currently just under half the Council's workforce are predominantly office based at the Civic Centre or Jubilee Depot site; the rest work in the leisure centres, community centres, parks or across the borough. The vast majority of office based staff have their own individual desks with a desktop PC and fixed telephone. Mobile devices (laptops, tablets and mobile phones) have, in the past, been issued in response to individual requests but are actively being rolled out, initially to Senior Leadership Team and now to Service Managers. In summary, the day-to-day technology used by staff is good but much of the potential remains unrealised. The Council's Digital Strategy 2016/19 approved in September 2016 contains a number of actions to address this gap.

The Council has 12 working groups set and Terms of Reference are in place for the "Delivering a Dynamic Council" Working Groups One of the Working Groups is the Agile Working Group. The aim of the Agile Working Group is to:

- a) Play a key role in the successful delivery of the Agile Working Strategy.
- b) In consultation, will identify which posts are suitable for agile or flexible working across the Council.
- c) Review HR policies and ICT policies to enable agile and flexible workers to work differently and ensure clear H&S policies are in place.

1.2 Key findings

The key findings from this review are as follows:

- The Council does not have a formal Recruitment Policy in place or a formalised initiative regarding recruitment and retention of staff, however the Council is working towards agile working and the Council expects increased employment opportunities for those who may not be able to or wish to work a traditional working day and the ability to attract and retain the best staff.
- The Council has a number of detailed procedural guidance notes in place regarding the recruitment process. The procedural guidance is subject to review, however, the date of review is not recorded on the documents.
- The Council uses various methods to recruit staff such as specialist recruitment agencies, local newspaper postings, local and national job boards, as well as on the Council's website. This allows the Council to target a vast array of potential candidates.

- A review of a sample of job postings established that the advantages and perks of working for the Council were included in the advertisements. The following statement was made for a recent posting "Gedling is an attractive place to live and work. The Council offices are situated in an award-winning park within easy reach of Nottingham City Centre and rural Nottinghamshire" and "a casual user car allowance attaches to the post giving access to free onsite parking".
- Where appropriate, targeting is undertaken by the Council through the use of specialist head-hunters for high level specialist posts.
- Quarterly staff turn-over reports are produced through the Covalent system and are reported to the Senior Leadership Team in the event of an exceptional change. The Report details the number of leavers in the quarter, as well as half-year and full-year turnover figures.
- Personal Development Review's (PDR's) take place once a year for everyone working a contracted number of hours each month and who have at least one year's service with the Council. The review focuses on performance in the job, behaviours at work, development needs and ideas for improvements to service delivery.
- The Council has two PDR forms in place; a Team Member PDR and Manager PDR. The PDR forms contains comprehensive guidance for each staff member's role and what will be required of them. A clear timeline is provided for the PDR process from start to completion and the relevant actions that will need to be undertaken by Team Members and Managers. Information on PDR's is included in the Staff handbook and is also included in the Capability Procedure.
- A review of the PDR forms established that the PDR form allows for Team Members and Managers to document new actions, objectives, tasks or projects for the coming year, these also include any carry-forward items from the previous year. Expected outcomes (measures of success) are noted for each objective.
- PDR forms contain a provision that states if any staff member disagrees with any comments made by their Manager, or have further comments to make following their meeting, they have the opportunity to state this on their PDR. Senior Management will then see their comments. An option is also available for the staff member to request further discussions to be held with more senior members of staff.
- The PDR also considers the training and development needs and these include: any training agreed by the member of staff and their Line Manager and any training identified by their Manager as necessary due to performance or behavioural issues.
- A Capability Procedure is in place and designed to support the employee to improve to a satisfactory degree through a planned programme of measures. Where an employee is not able to work to the standards required, it may be necessary for the employer to look to alternative solutions that may include redeployment or dismissal. The Capability Procedure is also included in the staff handbook.
- Where a member of staff is deemed to be performing poorly in their job duties by the Manager completing the PDR, the relevant Manager will first try to determine the reasoning behind the performance issue.
- Where performance issues are identified due to capability issues, the capability procedures will be applied. Where performance issues are due to the behaviour and/or attitude of the member of staff, disciplinary procedures will be applied. If deemed appropriate, more senior members of the Council's staff are included in the process.
- A formal disciplinary process is in place within the Council that can be evoked when staff performance is deemed to be poor. The Policy provides adequate guidance on the disciplinary procedure and includes guidance on: investigation of cases of alleged misconduct; suspension; the hearing; appeal; warnings; and dismissal.

- The Council did have 'Investors In People' status however this has not been maintained due to the financial and time commitments required for achieving such awards. The Council felt that the resources would be better invested in in-house development schemes for staff members within the Council. Council staff members predominately attend internal training courses conducted by the Council's Training Department and as a result the provision of training from different sources is considered on a one-to-one basis.
- The Council has two main budgets in relation to staff training and development, a departmental budget which is managed by the relevant Service Managers and a fixed corporate training budget of £9k for the provision of training. In-house training is provided to staff thereby providing training at lower costs to the Council.
- All new starters are required to undertake certain mandatory actions as part of the induction process. The Induction Checklist form contains all relevant provisions that need to be completed for all new starters within the first month of employment, such as I.T. and Health and Safety training. Managers are required to complete the checklist and return to Human Resources (HR) after one month employment is complete.
- After each internal course is conducted, email surveys are sent to all staff attendees to determine feedback and identify any improvements that can be made in future sessions.
- There is no formal succession planning undertaken by the Council. The Council is working to implement a more 'flat level' structure of working. Service Managers have been asked to consider the structure of their service to ensure that there are no more than 'four tiers' of workers.
- The Council has various benefits for its staff members, such as flex-time, bike scheme, home working, staff training, attendance incentive scheme, discounts on shopping. Parking is also provided on site at the Council's premises at no cost to the employee.
- A People Management Strategy is in place to enable the Council to attract, develop and retain people. This is both by being an employer that people want to work for and ensuring that those people employed by the Council are appropriately skilled to deliver the Council's aims. Part of this is to ensure that the Council can recruit and retain people because they want to work for the Council and is not just about the pay and reward package but also about creating a culture that makes the Council an attractive place to work.
- The responsibilities of management documented in the staff handbook includes: To offer training and development where appropriate to enable the employee to undertake the duties of the redeployment.
- Information and guidance on training is included in the staff handbook. Most of the training provided to the staff is provided in-house by the Training Department. External training is considered on a one-to-one basis. Financial Assistance for the attendance of external training courses is considered and is agreed on an individual basis and the conditions of the financial assistance are also agreed at the time.
- Employees wishing to undertake training or requiring financial assistance towards approved courses must complete the appropriate forms and submit them to their Head of Service for consideration and approval.
- Staff conferences are held every year. Attendance at the conference is not compulsory and any member of staff can attend the conference with permission from their Line Manager.
- All new staff are provided with induction training within three to six months of commencement of employment. The departmental induction programme is set by the Line Manager within the department. All new staff are required to undertake the mandatory training which is part of the New Starter Induction. The mandatory courses are dependent on the job role.
- All leavers are provided with an exit questionnaire by HR. The exit questionnaire is comprehensive and asks the leaver for their opinion on a range of areas from training, salary, reasons for leaving, relationship with colleagues and Managers etc. The exit questionnaire return rate is low and the results are not collated or reported. Learning occurs case by case.

- Results of the staff survey are discussed at the departmental staff meeting; the detailed findings are reported to the Senior Leadership Team and an action plan is put into place and is monitored by the Senior Leadership Team.
- Quarterly monitoring reports are made to the Senior Leadership Team and include working days lost due to sickness absence (rolling 12-month total) and staff turnover data is also produced each quarter and monitored.
- Data on PDR is monitored on the intranet. Performance indicator LI012 is the % of permanent contracted employees having taken part in PDR's during the quarter from which an action and development plan has been produced.

1.3 Good Practice

We have identified the following innovations or good practice at similar organisations that Gedling Borough Council may wish to consider.

Good Practice identified at RSM clients include:

- a) At a further education client, a 'Succession Planning Template' is used and the Vice Principal - People and Performance in conjunction with the relevant Departmental Managers undertook an exercise to determine the position of the relevant employees on the succession planning template. Once the position was established it was determined whether succession planning is to be undertaken and to what extent.
- b) At another client, a robust 'Recruitment and Staff Retention Policy' has been put into place to enable the organisation to retain staff and also recruit for those posts difficult to fill.
 - Ask employees who have been with your business longer than five years why they stay with you.
 - Ask new employees what attracted them to your business.
 - Evaluate which departments have better/worse retention rates than others.
 - Create a retention plan for those key individuals that have the greatest impact on profitability and productivity.
- c) Conduct exit interviews on the real reasons people leave your organisation.
- d) Engage with the new recruits even before they join by sending them welcome messages and key action points to be followed once they are part of the organisation. Once an employee has accepted the job offer, it is a good idea to communicate with the employee welcoming him or her onboard. Links to online resources that give basic information about the organisation can be shared so that employees can get an idea about their future workplace. Online links, videos or short modules can provide information about the organisation's vision, mission, culture and press reviews. This way, new recruits will feel wanted and have a fair idea about the organisation even before they report for their jobs.
- e) Often, organisations that assign online training modules to their new recruits, fail to allot dedicated time slots for the purpose. Employees are expected to squeeze in some time off their scheduled work for completing courses. All they are given is a deadline before which the training needs to be completed. This puts extra burden on employees and also earns their resentment. Provide dedicated time to employees for online learning-such as 30 minutes after lunch or at the end of the day based on the organisation's timelines.

- f) A Recruitment Policy is in place and is maintained up to date. It is made available to all staff and sets out the procedures to be followed throughout all stages of the recruitment process. The Policy is subject to review every three years and a version control box is included on the Policy document to record the review date and next review date.

Specific good practice identified on the internet includes:

- a) A City Council spent a lot of time with Managers getting them to understand that they need to begin managing by outcomes, as opposed to assuming that because a member of staff is in the office they are performing.
- b) A City Council encourages Managers to realise what level of trust exists already. They get them to recognise that they are not in the office 100% of the time currently, and so they need to build on this inherent trust
- c) A City Council believes training courses can support agile working and ran a very thorough training course which helps people understand what they need to know about the human resources and the information governance implications of working from other locations. This training was provided to Managers and other staff separately.
- d) A Borough Council took a bold decision to move away from time recording systems and place greater emphasis on performance outcomes, which they consider to be a far more innovative approach to managing their workforce. Also at the Council, flexible working is allowable for its staff.
- e) A Healthcare organisation has a Recruitment and Retention Strategy as the shortage of applicants with the right skills, abilities and experience in many professions has created a more competitive market, coupled with an aging workforce and increasing turnover due to retirement. The ability to deliver high quality, compassionate care depends upon recruiting and retaining the right people with the right skills. Therefore, an effective Recruitment and Retention Strategy that complements the Trust's Workforce Strategy and Trust objectives and vision is essential.
- f) The public sector has experienced huge change in recent years, transforming services from transactional in nature towards a more customer-focused service provision. Significant reductions in Government funding, coupled with rising community expectations, have resulted in the need for resources to be targeted more effectively. To ensure that staff are creative, flexible and have the right skills to respond positively to the challenges that lie ahead, A District Council has put a Workforce Development Plan in place to enable them to address staffing issues effectively in order to meet the Council's aspirations. Specific issues affecting the Council include an aging workforce, recruitment and retention, and developing skills to meet future demand.
- g) The New Local Government Network (NLGN) states that Councils should become more outward-facing and engage with the public to counter negative perceptions of working for a Council. This must be seen as fundamental to their drive to build a dynamic workforce from a range of professional backgrounds.
- h) A Borough Council has restructured to a new Strategic Leadership Team made up of four Directors reporting to the Chief Executive, who are accountable for the delivery of key goals and for commissioning the service delivery blocks. Operational Senior Managers have greater autonomy for day-to-day delivery. Senior Managers report to several Strategic Directors or Commissioners under a matrix management system.
- i) In a City and District Council, simple measures such as removing offices and having an open plan office has meant people immediately feel that they are all part of the same team.

- j) 'My Time' and 'My Time Extra' are a Borough Council's new take on appraisals. 'MyTime' are regular one-to-one meetings between Managers and their Team Members throughout the year. They cover a broad range of areas; the first question of a 'MyTime' session is 'how are you', and the information that Managers draw from that question alone is valuable. The aim is to dedicate time and space to have a conversation with the workforce to 'hear their story, and understand their needs and aspirations,' to strengthen the line management relationship, and identify any underlying problems or performance issues.

CONTRACT MANAGEMENT - EXECUTIVE SUMMARY

1.1 Background

As part of the approved internal audit periodic plan for 2017/18 for Gedling Borough Council (the Council), a review of Contract Management was undertaken.

The Council is embarking on an internal cultural change programme to deliver “A Dynamic Council”. In order to deliver the themes of this programme, the Council has indicated a need for a fresh approach to procurement and its procurement support function is being reviewed. The authority enters into a range of different contracts, some major, some smaller, which support the delivery of statutory functions and Gedling Plan objectives. Having more robust, coherent and efficient contractor management arrangements will ensure better value for money for the customer while making operations more agile.

The Council does not currently have an e-procurement system in place. Commencing in December 2017, the Council is implementing a new system, Proactis, as its e-procurement and tender management system. The software will be able to manage tenders from initial enquiry and advertisement through to storage and opening of tenders. The Council has Contract Standing Orders in place which set out minimum numbers of quotes required based on contract values, the European Union (EU) Procurement Directives also require the Council to ensure that contracts over a certain value are advertised on the Official Journal of the European Union (OJEU). Once contracts are awarded they are assigned to a Contract Manager within the Council.

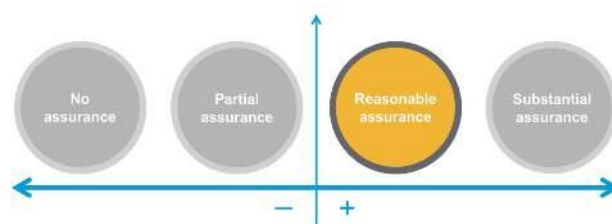
There are approximately 60 live contracts in place within the Council with a combined value of approximately £3.04million.

1.2 Conclusion

Our review identified that the internal controls for Contract Management processes are operating effectively, however we have identified one ‘medium’ and three ‘low’ priority management actions to enhance the control framework.

Internal audit opinion:

Taking account of the issues identified, the Council can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



1.3 Key findings

The key findings from this review are as follows:

- The Council's Constitution provides guidance on the procedures to be followed in relation to Contract Management. Guidance shows the routes to be followed based on the size of the procurement, and makes clear reference to OJEU Regulation 2015. The Constitution was last updated in July 2017.
- Service Managers responsible for the purchasing of good and/or services are provided with training on the procurement function, ensuring that they and their teams follow correct procedures and are compliant with laws.

- Prior to the engagement of a supplier, checks are undertaken to ensure appropriate due diligence before contract commencement.
- All procurement contracts are continually monitored and reviewed to ensure that quality is maintained and value for money is being achieved.
- Service Area staff raise purchase orders based on the good and/or services required. Purchase orders are appropriately authorised, contain contract technical specifications and copies are maintained on file. Furthermore, received invoices are reconciled to purchase orders and approved prior to payment being made.
- For value up to £10,000, prices are agreed or the method of ascertaining the cost is agreed in writing. Quotations were found to be obtained where the Director considers it desirable.
- Between £10,000 and £50,000, at least three written quotations were obtained by the Director in accordance with Standing Order 7.
- £50,000 to EU thresholds. Tenders are invited in accordance with Standing Orders 8 to 11 or a Framework Agreement used in accordance with Standing Order 12. Above EU thresholds set out on the 2015 Regulations. Tenders are invited in accordance with the procedures set out in the 2015 Regulations.
- All suppliers identified through a tender process are assessed against the same criteria. Where required, several stages of assessment are conducted to ensure that the most appropriate supplier is selected.
- Where only one supplier is able to meet the specific criteria of the required item or service, a sole source justification is provided. Documented rationale for the specification and how the supplier can meet this, as well as why alternatives are unsuitable or unavailable are provided.

However, testing identified weakness in the Council's control framework. As a result, one 'medium' priority and three 'low' priority management actions have been agreed to mitigate the risks associated. The 'medium' priority finding related to the following:

- Through testing of a sample of 20 contracts selected from the contracts register confirmed that in two instances, there was no evidence to confirm a signed contract was in place with the supplier or contract administrator. One of these contracts was valued at £18,500, with the other below £10,000 however this contract was between Gedling Borough Council and a third-party organisation which was managing the contract on the Council's behalf. Furthermore, it was established that there were inconsistencies in the storing of contracts, with some being held by Contract owners and some being held with Legal.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Agreed management actions		
					Low	Medium	High
Non-compliance with contract law (Risk Ref: S4)	1	(6)	1	(6)	1	1	0
Failure to adequately vet contractors (Risk Ref: S5)	0	(1)	0	(1)	0	0	0
Failure to maintain an accurate / complete contract register (Risk Ref: MH58)	0	(1)	1	(1)	1	0	0
Failure to employ competent contractors (Risk Ref: MH70)	0	(2)	0	(2)	0	0	0
Failure to achieve efficient procurement of goods and services (Risk Ref: MH44)	1	(6)	0	(6)	1	0	0
Total					3	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 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 regulatory scrutiny/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, regulatory scrutiny, 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.

Page 95

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Risk: Non-compliance with contract law (Risk Ref: S4)								
2.	Each contract in place is signed by both parties. All contracts are stored centrally and securely to ensure that they can be easily accessed by authorised personnel should they need to be referred to at any time	Yes	No	<p>Through testing of a sample of 20 contracts selected from the contracts register, it was confirmed that in 14 instances there were signed contracts in place with the supplier.</p> <p>In four instances, as the contract was of low value, standard terms and conditions of the agreement were set out on the purchase orders raised, in line with Contract Standing Orders.</p> <p>In one of the remaining two contracts tested, it was confirmed that the contract was being managed by a third-party</p>	Medium	<p>The Council will ensure that where contractual agreements are in place, these are signed with copies retained.</p> <p>Upon implementation of the new e-procurement system, the Council will centrally store all contracts which are in place.</p>	1 April 2018	Financial Services Manager

Page 96

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner	
				<p>organisation, who administered the installation of a playground on the Councils behalf. It was however confirmed that there was no signed contract in place between the Council and the third-party organisation. Despite the fee for administration of the contract being under £10,000, without having a signed contract in place there is a risk that the third-party contract administrator may not have delivered on their contractual obligations.</p> <p>This could have increased the risk of reputational damage to the Council if works were completed below standard as a result of poor contract administration, which could have resulted in the Council incurring significant extra costs to correct/improve the works.</p> <p>In respect of the remaining contract which was tested, we were unable to obtain copies of the signed contract in place with the supplier (Software licence for Leisure Management). The value of this contract was £18,500.</p> <p>Through discussion with each of the contract owners, it was established that there were inconsistencies in the storing of contracts. Some contracts were held by the Service</p>					

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				Area themselves, and some being held by Legal.				
				The new e-Procurement system, Proactis, is being implemented which is hoped will enable more efficient storing of contractual documentation. Without have a central store, there is a risk that contacts may be misplaced and/or difficult to locate in the event that the contract needs to be referred to at a later date.				

DEBTORS AND DEBT RECOVERY - EXECUTIVE SUMMARY

1.1 Background

As part of the approved internal audit periodic plan for 2017/18 an audit of Debtors and Debt Collection was undertaken.

The Council has recently begun to introduce a new recovery process which is still on going to ensure the process is streamlined and other debt recovery options are available. This includes the use of County Court Judgements and less claims going through the Legal Department.

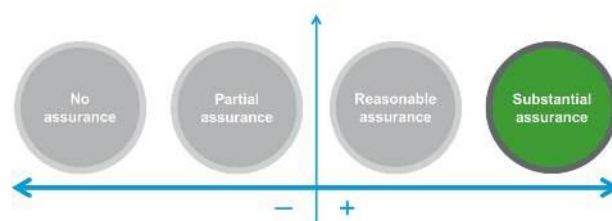
The Revenues Department is managed by the Service Manager Revenues with day to day activities being overseen by the Revenues Manager and the Team Leaders. The debtor's functions are undertaken on the Civica system with individual departments being able to raise invoices. Debt collection is undertaken by the Revenues Department with the use of debt collection agencies where required. Debts are only written-off where they are irrecoverable due to all lines of recovery being exhausted or if the values are uneconomical to recover.

1.2 Conclusion

Our review identified that the internal controls of the debtor's functions are in place and working effectively for the recovery of debt and raising invoices. However, we identified one "medium" and two "low" management actions relating to an out of date policy, two write-off forms not being produced and reconciliations to the General Ledger.

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 risk(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Access to the system was restricted to only current members of staff for the debtor's function and the levels of access were deemed adequate to their job role.
- Invoices are raised in a timely manner and maintained on file with a full audit trail with new debtors being set up upon receipt of a new set up form and then issued with a unique reference number.
- Aged debts are followed up in a timely manner across a variety of recovery stages with irrecoverable debt being sent for write-off.

- The Council has three collection agents in place with an up to date contract on file which is currently in the extension stage.
- Write-offs are subject to appropriate authorisation and are not written-off on the system until this authorisation has been sought.

However, the following control weaknesses were identified:

- The Sundry Debtor Administration Policy had not been updated since June 2012 and in line with good practice policies should be updated as every three years. The Policy was reviewed and it was confirmed elements of the Policy are out of date and not reflective of current working practices.
- Testing a sample of 20 write-offs identified in two instances a write-off request form was not completed and therefore a full audit trail of who recommended the write-off and reason for the write-off were not available.
- Testing of the last four months reconciliations between the Accounts Receivable Ledger and General Ledger noted that in three instances the reconciliation had not been signed by the Service Manager Revenues and two instances the reconciliation confirmation was not completed in a timely manner.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design not effective*		Non-Compliance with controls*		Agreed management actions		
					Low	Medium	High
Failure to report and recover sundry debtors (Risk Ref: MH76).	0	(16)	3	(16)	2	1	0
Total					2	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 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 regulatory scrutiny/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, regulatory scrutiny, 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: Failure to report and recover sundry debtors (Risk Ref: MH76)

1	A Sundry Debtor Administration Policy is in place which was last reviewed in June 2012 and contains details on the following: - Invoicing; - Cancellation; - Payment; - Transfers;	Yes	No	The Sundry Debtor Administration Policy was obtained and confirmed to be held on the shared drive on the internet and are therefore available to staff who require them. The Policy was last updated in June 2012 and therefore in line with good practice it is deemed to be out of date. A new process for recovery has been implemented and therefore the Policy will need to be updated to reflect these changes. There is a risk that where the Policy is out of date, staff may be working	Medium	The Sundry Debtor Administration Policy will be rewritten and made available to required staff.	31 December 2018	Revenues Manager
---	--	-----	----	--	--------	---	------------------	------------------

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<ul style="list-style-type: none"> - Refunds; - Recovery; - Write-offs; - Reconciliation; and - System Security. 			to old practices and therefore recovery of debts may not occur appropriately.				

PARTNERSHIPS AND VOLUNTARY SECTOR GRANT AID - EXECUTIVE SUMMARY

1.1 Background

An audit of Partnerships and Voluntary Sector Grant Aid was undertaken as part of the approved internal audit periodic plan for 2017/18.

The Council is embarking on an internal cultural change programme to deliver “A Dynamic Council”. In order to deliver the themes of this programme, a Contract and Partnerships Management Group is going to be established. The authority has a diverse range of complex partnership arrangements; these can be financial, operational, for strategic planning, to share knowledge and expertise or in place to build greater community resilience. One of the key outcomes of the group is that the Council enters into partnership arrangements that better integrate services across the public, private and voluntary sectors, reducing duplication and enabling more efficient use of time and resources.

A partnerships register is maintained within Community Relations and records the partnerships which the Council has entered into. On an annual basis, Senior Officers of the Council are required to assess and review the Council's membership of these partnerships, and determine whether any new partnerships have been agreed. Each partnership is also assigned a Council partnership officer, with the mission/outcomes/purpose, current year milestones, financial scale and governance arrangements including monitoring and reporting lines and levels of delegation also documented. The performance and achievement of objectives of each partnership is monitored locally by the responsible officer and, currently, annually by the Senior Leadership Team.

Each elected Member of the Council is allowed a £1,500 community grant fund, which they can distribute at their discretion on local projects to benefit the local community. An application and approval process ensures that these very small, local grants are appropriate. As at December 2017, £24,778.15 remained of the £61,500 budget.

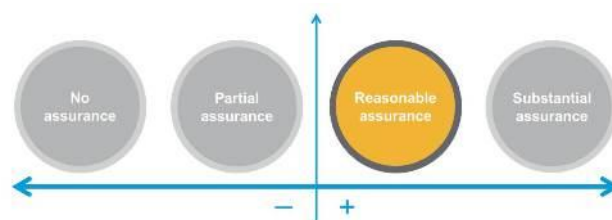
1.2 Conclusion

Our review identified that the internal controls for managing partnerships and voluntary sector grant aid are operating effectively, however we have identified some gaps in the control framework and areas where internal controls could be more robust. As a result, we have agreed **one medium** and **four low** priority management actions.

Internal audit opinion:

Taking account of the issues identified, the Council can take **reasonable assurance** that the controls in place to manage this risk are suitably designed and consistently applied.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risks.



1.3 Key findings

The key findings from this review are as follows:

- A central record of all partnerships which the Council have entered into is in place. This is maintained up to date by an assigned officer and was reviewed by SLT in April 2017, with the next review taking place in May 2018.
- Each partnership has been risk assessed against consistent scoring methodology to ensure all have adequate levels of monitoring, reporting and performance.
- A clear and accountable governance structure is in place within each partnership agreement that the Council is party to.
- A named officer has been assigned to each partnership, responsible for ensuring the governance arrangements of the partnership are appropriate.
- The performance of each partnership is monitored on an ongoing basis against key documented milestones, objectives and performance indicators.
- All elected Members are allocated £1,500 which they can allocate to applicants following completion of a standard application form. The claim form requires every applicant to provide full details of their application and the use that the grant will be put to. An explanation of why the grant is needed and details of the people who will benefit is also required.
- The Council maintains a spreadsheet of councillor grant payments which monitors and controls the expenditure by each individual Councillor. The spreadsheet is kept up to date to ensure no Councillor spends above their £1,500 allocation.

However, testing identified weakness in the Council's control framework. As a result, **one medium** priority and **four low** priority management actions have been agreed to mitigate the risks associated. The medium priority finding related to the following:

- The partnerships register is not currently reported to the Audit Committee, as stipulated as a requirement on the register. Despite this, there is no requirement within the Constitution for this level of reporting to take place and it is not currently reported. Without clear guidance, there is a risk that the partnerships register is not being appropriately reported which may result in lack of transparency and understanding of the partnership agreements that exist.

Furthermore, through testing of a sample of 10 partnerships selected from the register, it was confirmed that in one instance the partnership was no longer in place and therefore the register was not up to date. Without maintaining an up to date partnerships register, there is a risk that the Council have lack of co-ordination over the partnerships that exist. In all instances, there was evidence to confirm the partnership agreement in place.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risks	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Partnership agreements not in place.	0	(6)	2	(6)	1	1	0
Inaccurate records of grants maintained.	1	(5)	1	(5)	2	0	0
Losses due to fraud or error or inappropriate activity.	0	(1)	0	(1)	0	0	0
Grants are not made in line with agreed criteria.	0	(3)	1	(3)	1	0	0
Total					4	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 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 regulatory scrutiny/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, regulatory scrutiny, 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 (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Risk: Partnership Agreements not in place.								
1	A central record of all partnerships into which the Council is a member is in place. This is maintained up to date by an assigned officer, is reviewed by SLT and reported to the audit committee annually.	Yes	No	The Council has in place a partnerships register. The purpose of the register is to impose a degree of consistency in the governance and review of each partnership, and ensure the Council is realising maximum benefits from each partnership. The partnerships register stipulates that annual reporting of the register will go to the Audit Committee, however there is no requirement within the Constitution for this level of reporting to take place and it is not currently reported.	Medium	<p>A review of the partnerships register will take place to ensure that only current partnerships are included.</p> <p>Consideration will be made into whether the level of reporting currently undertaken is appropriate and whether the register needs to be reported to audit committee / members as well.</p>	<p>30 March 2018</p> <p>31 May 2018</p>	Service Manager - Community Relations

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				Without clear guidance, there is a risk that the partnerships register is not being appropriately reported which may result in lack of transparency and understanding of the partnership agreements that exist. This register was last reviewed by SLT in May 2017 and is next due for review in April 2018				
				Through testing of a sample of 10 partnerships selected from the partnership register, it was confirmed that in one instance the partnership was no longer in place and therefore the register was not up to date.				
				Without maintaining an up to date partnerships register, there is a risk that the Council have lack of co-ordination over the partnerships that exist. In all instances, there was evidence to confirm the partnership agreement in place.				

MAIN ACCOUNTING SYSTEM - EXECUTIVE SUMMARY

1.1 Background

A review of the Main Accounting System was undertaken as part of the approved internal audit periodic plan for 2017/18.

The Council currently uses Agresso as its main accounting system. The Accountancy and Finance team is responsible for the administration of the general ledger, which is a consolidation of the payroll, purchase and sales ledgers.

The General Fund budget totalling £12,481,100 was approved by the Council on 1 March 2017. The Council's proposed General Fund budget sets out the financial strategy and framework for overall financial control and administration for the Council.

The key roles and responsibilities of the Accountancy and Finance team include:

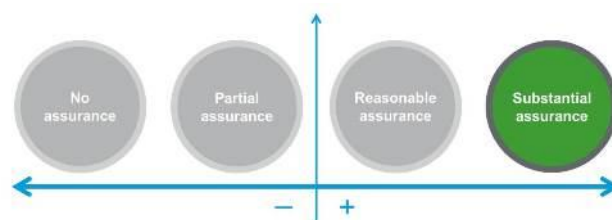
- Inputting opening budgets and opening balances at the start of each financial year;
- Amending and additions to the Chart of Accounts throughout the year;
- Clearing of the suspense account;
- Completing month-end close downs with subsequent budget reports for budget holders and reconciliations; and
- Processing and approval of journals

1.2 Conclusion

We have identified that overall there is a suitable control framework in place in relation to the Council's main accounting system. Our review concluded that in most instances key controls are being applied adequately and effectively. However, we have identified an area for improvement which has resulted in the agreement of one **low priority** management action.

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

Our audit review identified that the following controls are suitably designed, consistently applied and are operating effectively:

- Approved Financial Regulations are in place detailing the financial responsibilities, policies and procedures adopted by the Council.
- Procedures are in place for day-to-day accounting processes and use of the Agresso system. Procedures of the main accounting system were found to be subject to regular review and reflective of current practices.
- Closing balances from the prior year are brought forward as opening balances for the following financial year.
- Budget values are approved each year by the Council before being added to the Agresso system. Budget amendments ratified by the Cabinet are added to the system throughout the year.
- A Chart of Accounts is in place defining the accounting structure. Only authorised requests for amendments or new or existing account codes are processed.
- Journal entries are prepared and approved throughout the year and evidence retained on file. Reports of manual journals are reviewed and authorised on a weekly basis.
- Suspense accounts are cleared as part of month-end procedures and outstanding balances are investigated.

However, the following issue was noted:

- One instance was noted where access to the finance system had not been removed in a timely manner.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Failure to achieve closure of accounts to timescale (Risk Ref: MH53)	0	(3)	0	(3)	0	0	0
Failure to comply with requirements relating to whole of government accounts (Risk Ref: MH54)	0	(6)	1	(6)	1	0	0
Total					1	0	0

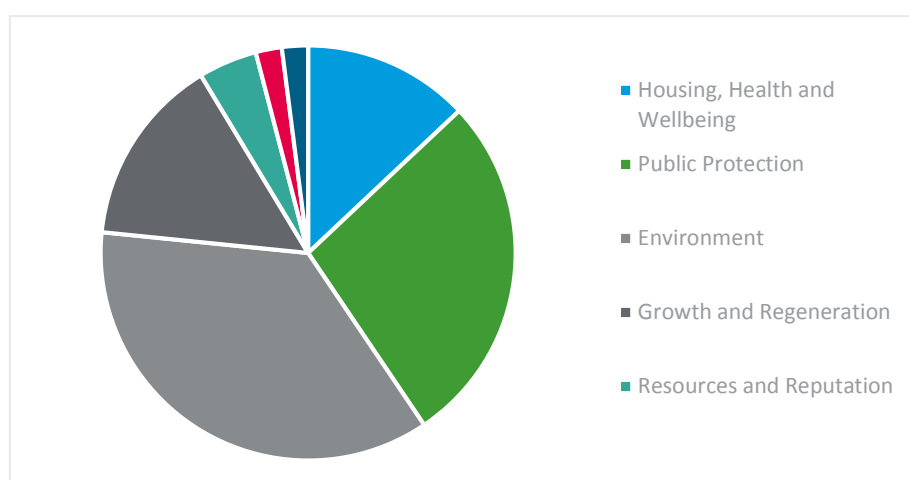
* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

CAPITAL ACCOUNTING AND ASSET REGISTER - EXECUTIVE SUMMARY

1.1 Background

An audit focusing on capital accounting and the Council's asset register was undertaken as part of the approved internal audit plan for 2017/18.

The Council Capital Investment Strategy and capital programme for 2017/18 to 2019/20 were approved by the Council on 1 March 2017, with a total value of £9.8m for the period. The programme value includes ongoing capital projects, new capital development bids, equipment and vehicle replacement exercises, and £1.4m re-profiled from 2016/17.



Capital funding is generated from the sale of assets, direct revenue financing, capital grants and contributions, and borrowing. Right to Buy receipts and Improvement Grant repayments will provide an estimated £0.45m over the three-year period with £3.73m proposed to derive from prudential borrowing to finance the capital programme to 2019/20.

Capital projects are monitored at quarterly meetings of Service Managers and key Finance staff, including the Deputy Chief Executive and Director of Finance. Progress reports are also presented each quarter to Cabinet.

An Excel spreadsheet asset register is used to record all assets. Asset existence is confirmed by relative Service Managers before the register is reconciled with the General Ledger at year-end to provide the most accurate summary of the Council's assets. A two-year rolling programme is in place for all significant assets ensuring regular revaluation.

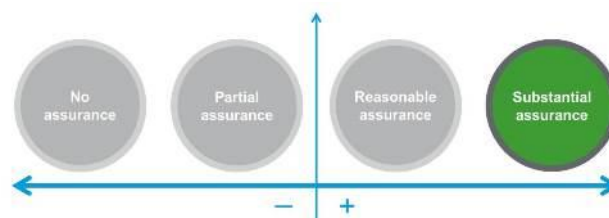
1.2 Conclusion

Our work has established that there are appropriate controls in place for management of the Council's capital expenditure. The capital programme is developed through review of business cases and several layers of approval. Capital project budgets and receipts are monitored on an ongoing basis and reported to the Cabinet at each meeting. Significant assets are regularly revalued and assurances are sought from relative Service Managers of the ongoing existence of assets each year.

Two management actions have been agreed, comprising of two low priority actions.

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 risk(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- A Capital Investment Strategy has been developed for the period 2017/18 to 2019/20. It was ratified by both the Cabinet and the Council alongside the capital programme for 2017/18.
- The Financial Regulations, as detailed in the Council Constitution, provide requirements for capital investment and management. Specific procedures have been developed for staff in the form of Budget Process Guidance Notes.
- Capital bids are prepared using a pro forma, detailing financial considerations, performance impacts and budget influence. All bids are assessed against a standardised scoring matrix, with successful projects added to the capital programme.
- Capital project budgets are reviewed as part of month-end processes. Four times a year, meetings are held with Service Managers, and monitoring reports are presented to Cabinet each quarter.
- Year-end carry forward requests are reviewed and approved by the Deputy Chief Executive and Director of Finance before being added to the capital programme for the following period.
- All assets are valued by the Estates Surveyor at least once every two years as part of the Council's valuation programme, whilst investment properties are reviewed on an annual basis. Where required, adjustments are also made for any identified impairments.
- Depreciation policies have been applied to all asset types and are applied as part of year-end processes. Each financial year, finance system depreciation values are reviewed and reconciled.
- Approval for disposals is received from either the Service Manager or Council as part of the capital programme. Evidence of disposal is retained by the Finance department, with the most appropriate method of disposal determined to receive the best possible return.

However, the following areas were identified to require attention.

- The asset register is updated at each year-end however disposals are not removed, only adjusted to a zero balance. This could cause confusion over which assets are still in place at the Council, risking a failure to identify loss or theft.
- Service Managers are contacted each year to verify capital assets in their area. However, evidence of verification is not centrally maintained, raising a risk that the asset register will not be up-to-date and therefore inaccurate.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Agreed management actions		
					Low	Medium	High
Lack of an appropriate capital strategy (Risk Ref: MH64)	0	(12)	2	(12)	2	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.

BUDGETARY CONTROL AND SETTING - EXECUTIVE SUMMARY

1.1 Background

A review of Budgetary Control and Setting was undertaken as part of the approved internal audit periodic plan for 2017/18.

The General Fund budget totalling £12,481,100 was approved by the Council on 1 March 2017. The Council's proposed General Fund budget sets out the financial strategy and framework for overall financial control and administration for the Council.

Individual Service Area budgets are calculated annually by the Council's accountants, with input from the relevant budget holders. Budgets are initially calculated based on the previous year's figures and determining salary estimations.

Budget reduction targets were set as part of the 2017/18 budget process to deliver required efficiencies over the period of the Medium Term Financial Plan (MTFP). The approved budget reductions covers a range of revenue and capital related proposals using a variety of strategies i.e. efficiency, new ways of working, income generation and service cuts.

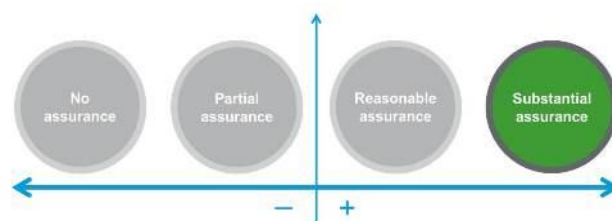
Quarterly Budget Control Monitoring Reports are prepared and produced by the finance business partners. The Monitoring Reports are presented to Cabinet and include detailed commentary updating members on financial performance year to date and explaining all significant variances from the set annual budgets. Quarterly meetings are also held between service managers and their relevant finance business partners to discuss any variances or trends arising from their respective budgets.

1.2 Conclusion

There is an appropriate control framework in place for governing the budget setting process. Our audit review has confirmed that the general control framework relating to the budgetary control systems is robust and operating effectively. We identified no issues that required us to comment upon or to raise management actions that would require improvement actions to be taken. Therefore, we are satisfied that a substantial assurance audit opinion is the appropriate outcome.

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 risk are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Financial Procedure Rules are in place and available to staff and members of the public via the Councils website. The rules were updated in July 2017 and include information related to budget setting and management.
- Guidance notes are in place to assist budget holders and Finance staff with the budget setting and management processes. These are readily available to all staff and are maintained up to date.
- A budget planning timetable has been established. This details target dates for the completion of each stage of the budget setting process and identifies the member of staff responsible.
- The Annual Budget for the Council is prepared and is approved by full Council prior to the start of the current financial year. The 2017/18 budget was approved by Council on 1st March 2017.
- Budget managers have been assigned to each budget and they are responsible for monitoring and managing income and expenditure within their areas of responsibility and for ensuring that budgets are achieved.
- A sufficient support structure is in place which provide enough support to aid service managers in the setting and day-to-day management of their individual budgets. Service managers are provided with a designated accountant and Finance Business Partner, with whom they can liaise with over any budgeting concerns such as when submitting reduction proposals and capital resource bids.
- Service managers set and agree yearly budget figures for their respective service areas. Each individual service manager meets with their designated accountant to confirm budget figures and agree any changes from the previous year.
- Budget reduction targets have been set as part of the 2017/18 budget process to deliver required efficiencies over the period of the Medium Term Financial Plan (MTFP).
- Significant variances in budget spending are investigated by finance business partners during quarterly meetings with allocated service managers.
- Cabinet are provided with quarterly Budget Control Monitoring Reports detailing budget performance monitoring outcomes. This includes a detailed commentary updating members on financial performance year to date and explaining all significant variances.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Inadequate budgetary control (Risk Ref: MH60)	0	(12)	0	(12)	0	0	0
Total					0	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.



Report to Audit Committee

Subject: Draft Internal Audit Plan 2018/19

Date: 20 March 2018

Author: Chris Williams, Head of Internal Audit (RSM)

1. Purpose of the Report

To report on the planned internal audit activity for 2018/19.

Having taken account of any comments made by this Committee the final report will be passed to the Deputy Chief Executive and Director of Finance in line with the Financial Regulations.

2. Background

We have used various sources of information and discussed priorities for internal audit coverage with the Senior Leadership Team. A separate meeting was held with the Service Managers to discuss the development and content of the internal audit plan and strategy.

The Annual Audit Report including the Annual Internal Audit Opinion will be reported to the next Audit Committee. This report relates solely to the planned internal audit work for 2018/19.

3. Planned Internal Audit Activity for 2018/19

Audit Reports

The performance target is 22 issued audit reports for the 2018/19 financial year.

4. Resource Implications

To be delivered within existing budgets.

5. Recommendations

Members are requested to receive and approve the Report as presented.

This page is intentionally left blank



GEDLING BOROUGH COUNCIL

Internal Audit Plan 2018/19

Presented at the Audit Committee:

20 March 2018



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.



CONTENTS

- 1 Introduction..... 2
- 2 Developing the internal audit plan..... 3
- 3 Your internal audit service..... 5
- 4 Audit Committee requirements..... 6
- Appendix A: Internal audit plan 2018/19 7
- Appendix B: Internal audit strategy 2018/19 – 2020/21 10
- Appendix C: Internal audit charter..... 16
- Appendix D: Our client care standards 20
- For further information contact 21

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 lies on the outskirts of Nottingham City and covers 120 km² covering 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 115,500. The Council manages a budget of £12.1 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 £5.9m being equivalent to a 66% 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

“We aspire to be regarded as a great Council by the people and businesses we serve and the staff we employ, by making a positive difference to people’s lives and creating opportunities for everyone to achieve their full potential.”

1.3 Aims

Gedling Borough Council 2017/19 Plan has published its priorities for next three years which include:

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 PLAN

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. 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 audit 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/ exclusion in the audit plan/strategy
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.
GDPR Post Implementation Review	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. 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. A post implementation review has therefore been included for 2018/19.
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 2018/19 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.

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 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) and 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 Audit 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 Council's risk profile effectively?
- Does the plan for internal audit (as set out at Appendix A) 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 2018/19

Audit	High Level Scope for 2018/19	Proposed timing	Days
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	6
Anti-Fraud Review	To conduct a high level overview of anti-fraud, bribery and corruption procedures and consider current and potential funding streams and resources in line with any proposed fraud strategy for the Council.	Qtr 4	10
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	5
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. The focus will be on the five Leisure Centres, Theatre and Kiosk and Arnold Market.	Qtr 3	15
NNDR	Our audit will provide assurance that policies and procedures in relation to NNDR are followed and correct charges are being applied and will include identification and recording of persons liable for 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	6
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	5
Payroll and Expenses	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	7

Audit	High Level Scope for 2018/19	Proposed timing	Days
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 2	6
SERVICE SPECIFIC – HEALTH & COMMUNITY WELLBEING			
Community Centres	A review of a sample of Community Centres across the Borough in to how they are used. We will review the booking, recording and monitoring processes and controls of the activities that take place at the Centre to ensure they are followed in line with current policies and procedures. The audit will also ensure there is a clear documented trail between bookings for usage of the Centres and for the collection of related income.	Qtr 2	8
Gedling Country Park Visitor Centre	A high level review to ensure that key controls (both financial and operational) in relation to the country park are in place and operating effectively. The review will focus on the contracting arrangements the Council has in place with Nottingham City Council and the performance reporting of this contract.	Qtr 1	6
Landlord Licensing	To ensure the Council's arrangements for issuing and monitoring licences are adequate and in compliance with relevant legislation.	Qtr 4	6
SERVICE SPECIFIC – ORGANISATIONAL DEVELOPMENT & DEMOCRATIC SERVICES			
Customer Services and One Stop Shop	Customer Services and One Stop Shop Areas meet the requirements of all service users, both internal and external.	Qtr 1	6
GDPR Post Implementation Review	To ensure the Council has established effective systems to support compliance with the Data Protection requirements in respect of data storage, archiving, security, and subject access.	Qtr 4	7
Mail Room	To ensure that the Mail Room provides an efficient, effective and secure service in line with Council requirements and documented policies and procedures.	Qtr 1	5
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 2	9
SERVICE SPECIFIC – CHIEF EXECUTIVE			
Development Management	This review will focus on planning applications including timeliness of dealing with applications, the appeals process (including basis of appeals), review of planning decisions, KPIs and management reporting.	Qtr 2	7
SERVICE SPECIFIC – FINANCE			

Audit	High Level Scope for 2018/19	Proposed timing	Days
Property – Investment, Miscellaneous Properties and Facilities Management	To ensure the Council has in place adequate processes for managing its property and land portfolio. Our review will include: policies and procedures, determination and approval of rents, application of approved rent, licenses and collection of income due.	Qtr 4	9
Ground Maintenance, Parks and Open Spaces	To ensure the Council provides an effective grounds maintenance service within the Borough contributing to the better health and well-being of the residents and wildlife of Gedling.	Qtr 3	10
Contract and Procurement	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. We will review pre, mid and post contract processes for each of the sampled contracts.	Qtr 3	8
Health and Safety	This review will focus on ensuring that the Council has adequate health and safety procedures in place with third parties, including contractual arrangements and ensure data is stored securely on the health and safety system used by the Council.	Qtr 4	8
OTHER INTERNAL AUDIT ACTIVITY			
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address previously agreed management actions, we will undertake two follow up reviews in the year.	Qtr 1 Qtr 3	10
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.	As Required	10
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; and • Preparation of the annual opinion. 	Throughout the year	18

APPENDIX B: INTERNAL AUDIT STRATEGY 2018/19 – 2020/21

Proposed area for coverage	Risk Register/ Potential risks to the area	2018/19	2019/20	2020/21
STRATEGIC				
Corporate Governance	Non-compliance with Corporate Governance requirements.	✓	✓	✓
Anti-Fraud Thematic Review	Inadequate and ineffective fraud and money laundering policies and procedures.	✓		
Risk Management	Inadequate and/or inappropriate Risk Management Strategy in place at the Council.	✓	✓	✓
FINANCIAL SYSTEMS				
Cash and Banking	Failure to prevent budget overheating once the budget has been set (Risk Register: 1)	✓	✓	✓
	Failure to maintain financial integrity (Risk Register: 2)			
Council Tax	Failure to react to changes in legislation (Risk Register: 7)		✓	
	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations (Risk Register: 10)			
NNDR	Failure to react to changes in legislation (Risk Register: 7)	✓		✓
	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations (Risk Register: 10)			
Creditors and E Procurement	Failure to prevent budget overheating once the budget has been set (Risk Register: 1)		✓	
	Failure to maintain financial integrity (Risk Register: 2)			
Debtors and Debt Recovery	Failure to prevent budget overheating once the budget has been set (Risk Register: 1)		✓	
	Failure to maintain financial integrity (Risk Register: 2)			

Proposed area for coverage	Risk Register/ Potential risks to the area	2018/19	2019/20	2020/21
Housing Benefits/ Universal Credit/ Council Tax Reduction Scheme	Failure to react to changes in legislation (Risk Register: 7) Failure to maintain service standards, customer satisfaction, and/or meet customer expectations (Risk Register: 10)		✓	
Main Accounting System	Failure to maintain financial integrity (Risk Register: 2)	✓	✓	✓
Payroll and Expenses	Failure to prevent budget overheating once the budget has been set (Risk Register: 1) Failure to properly utilise existing ICT, react to technology changes, and prevent data loss (Risk Register: 5)	✓	✓	✓
Reconciliations	Failure to maintain financial integrity (Risk Register: 2)	✓		
Treasury Management	Failure to prevent budget overheating once the budget has been set (Risk Register: 1) Failure to maintain financial integrity (Risk Register: 2)			✓
SERVICE SPECIFIC – HEALTH & COMMUNITY WELLBEING				
Community Centres	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations (Risk Register: 10)	✓		
Environmental Health and Enforcement (Food, H&S, Private Sector Housing)	Failure to react to changes in legislation (Risk Register: 7) Failure to react to an environmental incident or malicious act (Risk Register: 12)			✓
Leisure Centres (Carlton Forum)	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations (Risk Register: 10)		✓	
Gedling Country Park Visitor Centre	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations (Risk Register: 10)	✓		
External Funding	Failure to react to changes in legislation (Risk Register: 7)		✓	

Proposed area for coverage	Risk Register/ Potential risks to the area	2018/19	2019/20	2020/21
Landlord Licensing	Failure to react to changes in legislation (Risk Register: 7)	✓		
	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations (Risk Register: 10)			
SERVICE SPECIFIC – ORGANISATIONAL DEVELOPMENT & DEMOCRATIC SERVICES				
Complaints Management / MP Letters	Inability to defend one-off challenges to a Council decision or new compensation trend emerges (Risk Register: 9)		✓	
	Failure to prevent damage to the Council's reputation (Risk Register: 11)			
Customer Services, Cashiering and One Stop Shop Area	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations (Risk Register: 10)	✓		
GDPR Post Implementation Review	Failure to properly utilise existing ICT, react to technology changes, and prevent data loss (Risk Register: 5)	✓		
	Failure to react to changes in legislation (Risk Register: 7)			
Freedom of Information	Failure to react to changes in legislation (Risk Register: 7)		✓	
Elections – Returning Officer Role	Failure to comply with practice and procedures for administering local elections.			✓
HR Management	Failure to recruit and retain staff, and maintaining internal capacity (Risk Register: 4)			✓
IT Reviews	Failure to properly utilise existing ICT, react to technology changes, and prevent data loss (Risk Register: 5)	✓	✓	✓
	Failure of contractors or partnership arrangements - contractual breaches (Risk Register: 8)			
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.			

Proposed area for coverage	Risk Register/ Potential risks to the area	2018/19	2019/20	2020/21
Members Allowances and Expenses	<p>Payment of expenses is not adequately documented in procedures.</p> <p>The Council's policy towards car mileage and subsistence is not cost efficient.</p> <p>Expenses claims are not made on official forms or approved prior to processing.</p> <p>Management information is not being produced to monitor expenses being paid.</p>			✓
Performance Management	<p>Failure to maintain financial integrity (Risk Register: 2)</p> <p>Failure to recruit and retain staff, and maintaining internal capacity (Risk Register: 4)</p>			✓
SERVICE SPECIFIC – CHIEF EXECUTIVE				
Building Control	Failure to protect & utilise physical assets (Risk Register: 6)		✓	
Development Management	<p>Failure to maintain financial integrity (Risk Register: 2)</p> <p>Failure to protect & utilise physical assets (Risk Register: 6)</p>	✓		
SERVICE SPECIFIC – FINANCE				
Budgetary Control and Setting	<p>Failure to prevent budget overheating once the budget has been set (Risk Register: 1)</p> <p>Failure to maintain financial integrity (Risk Register: 2)</p>			✓
Capital Accounting and Asset Register	<p>Failure to maintain financial integrity (Risk Register: 2)</p> <p>Failure to protect & utilise physical assets (Risk Register: 6)</p>		✓	
Car Parks	Failure of contractors or partnership arrangements - contractual breaches (Risk Register: 8)			✓
Property – Investment and Miscellaneous Properties and Facilities Management	<p>Failure to maintain financial integrity (Risk Register: 2)</p> <p>Failure to protect & utilise physical assets (Risk Register: 6)</p>	✓		

Proposed area for coverage	Risk Register/ Potential risks to the area	2018/19	2019/20	2020/21
Ground Maintenance, Parks & Open Spaces	Failure to protect & utilise physical assets (Risk Register: 6)	✓		
	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations (Risk Register: 10)			
Insurance	Inability to defend one-off challenges to a Council decision or new compensation trend emerges (Risk Register: 9)		✓	
Payment Card Industry Compliance	Failure to prevent budget overheating once the budget has been set (Risk Register: 2)			✓
Contracts and Procurement	Failure to prevent budget overheating once the budget has been set (Risk Register: 1)	✓	✓	✓
	Failure of contractors or partnership arrangements - contractual breaches (Risk Register: 8)			
Property Services – Asbestos, Legionella, Fire Safety and Gas Safety	Failure to protect & utilise physical assets (Risk Register: 6)		✓	
	Failure to react to changes in legislation (Risk Register: 7)			
Health and Safety	Failure to protect staff, including health & safety issues (Risk Register: 3)	✓		✓
	Failure to protect & utilise physical assets (Risk Register: 6)			
	Failure to react to changes in legislation (Risk Register: 7)			
Emergency Planning and Business Continuity	Failure to properly utilise existing ICT, react to technology changes, and prevent data loss (Risk Register: 5)		✓	
	Failure to react to an environmental incident or malicious act (Risk Register: 12)			
Cemeteries	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations (Risk Register: 10)		✓	
Street Cleansing	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations (Risk Register: 10)			✓
OTHER INTERNAL AUDIT ACTIVITY				
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address previously agreed management actions.	✓	✓	✓

Proposed area for coverage	Risk Register/ Potential risks to the area	2018/19	2019/20	2020/21
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 D of the internal audit plan for 2018/19.

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 and Deputy Chief Executive and S151 Officer.

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.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Senior management who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.
- Board of directors - The highest level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "board" may refer to a committee or another body to which the governing body has delegated certain functions (e.g. an audit committee).

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.

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 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.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under PSIAS, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the audit committee.

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

Name: Chris Williams, Head of Internal Audit

Email address: Chris.Williams@rsmuk.com

Telephone: 07753 584 993

Name: Amjad Ali, Senior Manager

Email address: Amjad.Ali@rsmuk.com

Telephone: 07800 617 139

rsmuk.com

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. Actions for improvements should be assessed by you for their full impact. 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.

Our report is prepared solely for the confidential use of Gedling Borough Council and solely for the purposes set out herein. 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 third party which obtains access to this report or a copy and chooses to rely on it (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 you 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.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank