



# GEDLING BOROUGH COUNCIL

## Internal Audit Progress Report

Audit Committee

12 September 2017

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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.

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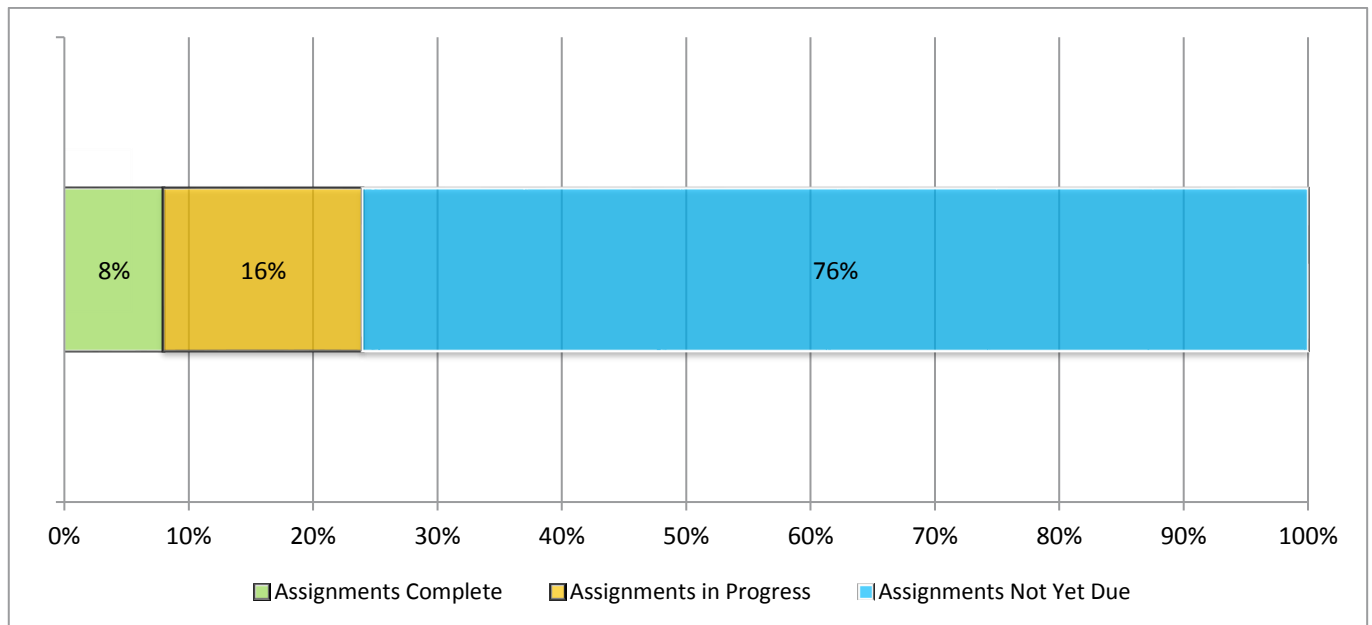
We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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 25 planned reviews.

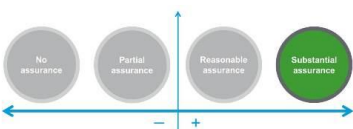
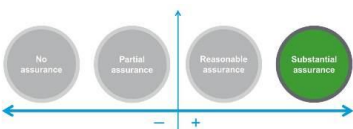
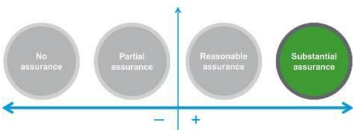
This report provides a summary update on progress against the planned reviews and summarises the results of our work to date. Please see chart below for progress against the plan.



## 2 REPORTS CONSIDERED AT THIS AUDIT COMMITTEE

This table informs of the audit assignments that have been completed since the last Audit Committee.

The Executive Summary and Key Findings of the assignments below are attached to this progress report.

Assignment	Status	Opinion issued	Actions agreed		
			L	M	H
2016/17 Reports					
Financial Management Systems (7.16/17)	Final		1	0	0
2017/18 Reports					
Geographic Information Systems, Land Charges, Street Naming & Numbering (2.17/18)	Final		3	0	0
Corporate Governance (3.17/18)	Final		0	0	0

## 2.1 Impact of findings to date

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### **Financial Management Systems (7.16/17)**

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

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

Management action was agreed in respect of the finding.

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### **Geographic Information Systems, Land Charges, Street Naming and Numbering (2.17/18)**

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

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

Management actions were agreed in respect of the findings.

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### **Corporate Governance (3.17/18)**

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken no findings were identified.

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### 3 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2017/18	Status
Follow Up (1.17/18)	Q1	Draft Report Issued
Cash and Banking (5.17/18)	Q2	Draft Report Issued
IT Reviews – Ethical Phishing Campaign (4.17/18)	Q3	Draft Report Issued
Organisational Development	Q2	Work in Progress
Creditors and E Procurement	Q2	Scheduled 18/09/2017
Car Parks	Q4	Scheduled 18/09/2017
S106 Agreements and Community Infrastructure Levy	Q3	Scheduled 25/09/2017
Housing Benefits/ Universal Credit/ Council Tax Reduction Scheme	Q3	Scheduled 09/10/2017
Events Management	Q3	Scheduled 16/10/2017
Payroll	Q3	Scheduled 30/10/2017
Reconciliations	Q3	Scheduled 30/10/2017
Environmental Health and Enforcement (Food, H&S, Private Sector Housing)	Q2	Scheduled 31/10/2017
Contract Management	Q3	Scheduled 20/11/2017
Debtors and Debt Recovery	Q3	Scheduled 27/11/2017
Partnerships and Voluntary Sector Grant Aid	Q3	Scheduled 04/12/2017
Council Tax and NNDR	Q3	Scheduled 11/12/2017
Capital Accounting and Asset Register	Q3	Scheduled 08/01/2018
Follow Up	Q3	Scheduled 08/01/2018
Main Accounting System	Q3	Scheduled 08/01/2018
Budgetary Control and Setting	Q3	Scheduled 15/01/2018

Risk Management	Q3	Scheduled 26/02/2018
Treasury Management	Q4	Scheduled 26/02/2018
Housing Needs	Q4	Scheduled 26/02/2018

## 4 OTHER MATTERS

### 4.1 Changes to the audit plan

There have been no changes to the internal audit plan.

### 4.2 Information and Briefings

We have recently issued the following briefings:

- Gender Pay Gap Reporting;
- Apprenticeship Levy;
- Are you vulnerable to email scamming;
- How vulnerable is your organisation to cyber-attacks; and
- Is your business GDPR ready.



## APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

There have been no reports previously seen by the Audit Committee against the 2017/18 Internal Audit Plan.

## FOR FURTHER INFORMATION CONTACT

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# FINANCIAL MANAGEMENT SYSTEM - EXECUTIVE SUMMARY

## 1.1 Background

An audit designed to ensure that Gedling Borough Council has appropriate controls in place in relation to the Financial Management System was undertaken as part of the approved internal audit periodic plan for 2016/17.

The General Fund budget totalling £12,623,300 was approved by the Council on 7 March 2016. The budget was prepared to include major reductions and considering the cumulative efficiency target of £1.15m for 2017/18 onwards.

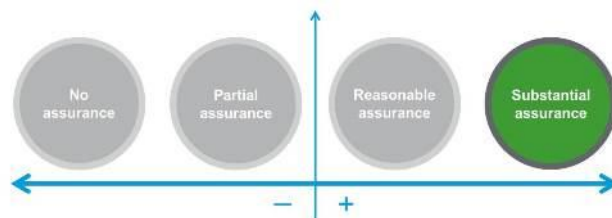
The Council records and manages all key accounting processes using the Agresso finance system, with the new Milestone 5 version of the system installed in 2016.

## 1.2 Conclusion

Our work has identified that robust controls are in place for the Council's financial management system. The approved budgets, and any amendments, are imported into the Agresso system. Closing balances from the previous year are brought forward as opening balances. Significant control accounts are reconciled on a regular basis and suspense accounts are cleared each month. One 'low' priority management action has been identified regarding the procedure notes in 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 area are suitably designed, consistently applied and operating effectively.



## 1.3 Key findings

The key findings from this review are as follows:

- 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. Review identified that they have not been updated since 2013 and therefore should be reviewed to ensure they reflect current practice.
- Access to the Agresso system is managed by the IT Department. Managers are responsible for notifying the IT Department of any leavers.
- 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.
- Purchase ledger control account reconciliations are completed three times per week following payment runs. Cash receipting reconciliations are completed each day and reconciled to bank statements. Payroll reconciliations are prepared on a monthly basis. It was identified that sales ledger reconciliations are not completed on a regular basis and in a timely manner following the end of the accounting period to which they relate.
- Bank account reconciliations are completed each month with any variances investigated. Suitable segregation of duties is demonstrated for approval.
- Suspense accounts are cleared as part of month-end procedures and outstanding balances are investigated.

## 1.4 Additional information to support our conclusion

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

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Use of the Financial Management System.	0	(10)	1	(10)	1	0	0
<b>Total</b>					<b>1</b>	<b>0</b>	<b>0</b>

\* 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.

# GEOGRAPHIC INFORMATION SYSTEM, LAND CHARGES, STREET NAMING & NUMBERING - EXECUTIVE SUMMARY

## 1.1 Background

An audit of Geographical Information Systems (GIS), Land Charges, Street Naming and Numbering was undertaken as part of the approved internal audit periodic plan for 2017/18.

The Planning & Building Control department is responsible for the majority of applications for development within the Gedling Borough. The Council uses the Esri system to provide its GIS functionality. The software uses Ordnance survey mapping data and enables the viewing and modelling of geographic data which is used to provide information for a wide range of Council users and also for other public sector organisations.

The Council maintains a Register of Local Land Charges which contains information which may affect properties such as Tree Preservation Orders, Listed Buildings, other planning matters and financial charges. The Local Land Charges Register is updated on a daily basis by the Land Charges Team with the relevant charges once notification has been received. Purchasers of a property in the Borough will carry out a search of the Register, usually through their solicitor, to reveal any entries that there may be against the property. Information relating to the land charges function such as fees and how to request searches is readily available to the public. This information is available on the Council's public web site.

The naming and numbering of streets and buildings in Gedling, is controlled by Gedling Borough Council under the Town Improvement Clauses Act 1847. The purpose of this control is to make sure that any new street names and building names and numbers are allocated logically with a view to ensuring, amongst other things, the effective delivery of mail and that emergency service vehicles are able to locate any address to which they may be summoned.

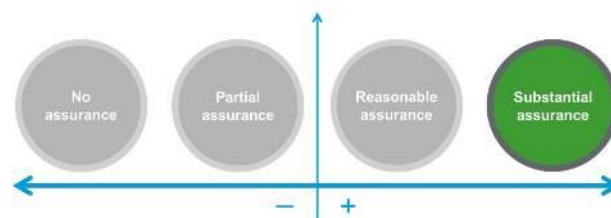
Upon receiving a new street naming and numbering request, appropriate consultation takes place with Parish Councils and other relevant stake-holders. The new street name and numbers are communicated to developers and relevant Statutory Bodies, are subsequently entered into the Property Gazetteer.

## 1.2 Conclusion

We have identified that overall; there is an appropriate control framework in place for the governing of Geographic Information Systems, Land Charges, Street Naming and Numbering. Our review concluded that in most instances key controls are being applied adequately and effectively. However we have identified and raised a small number of issues which has resulted in three low priority management actions being agreed by management.

**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

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

- There are clear processes in place which ensures that all mapping data held within the GIS system is maintained up to date
- GIS Enquiries are received via email and are processed by the GIS team within 10 days upon receipt. If any fees are due then this would be processed before the data is released.
- Appropriate arrangements are in place which ensures the security of the data held in the GIS system. Access is protected by password to authorised users only; system enforced password changes occur; all data is backed up automatically, at least once each day.
- Information relating to the land charges function i.e. what is a Land Search, what are the fees and/or how do I request a Land Search is readily available to the public. This information is available on the Council's public web site.
- All applications for a Land Search are accompanied with the correct fee and a check is carried out to confirm the receipt of the fee before processing of the search commences. Fees charged for search applications received are in accordance with the agreed and published scale of fees and charges.
- All Land Search requests to be completed and the results published within twenty working days of the receipt of a valid request.
- The Local Land Charges Register is updated on a daily basis with the relevant charges in a timely manner once notification has been received.
- The I-dox Total Land Charges System is used to manage the Land Charges Register and Gazetteer. This is an integrated system that accesses and updates, the various databases used in the Land Charges process and facilitates the automatic production of search results in respect of the standard questions included in a CON29 and LLC1 search request.
- Access to the I-dox TLC system is restricted by password to authorised staff only and is supported by its supplier who takes responsibility for updating with changes to legislation and software.

However we did note the following controls which were found not to have been effectively complied with: -

- Policy and procedural guidance for the day to day functions of the Land Charges section are overdue for review and therefore may not currently reflect up to date working practices and legislation.

- In addition the policy and procedural Guidance which sets out the process in place for providing and communicating new street names and property address details to developers and other key stake-holders are overdue for review.
- Our testing identified that street name and numbering requests are not always processed straight away upon the application being received.

## 1.4 Additional information to support our conclusion

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

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
GIS is incomplete or not up to date resulting in inaccurate data supplied to customers	0	(4)	0	(4)	0	0	0
The land charge register is not adequately maintained	0	(9)	1	(9)	1	0	0
Failure to adopt major roads - street naming	0	(2)	2	(2)	2	0	0
<b>Total</b>					<b>3</b>	<b>0</b>	<b>0</b>

\* 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.

# CORPORATE GOVERNANCE – MEMBERS INTERESTS - EXECUTIVE SUMMARY

## 1.1 Background

An audit of Corporate Governance – Members Interest was undertaken as part of the approved internal audit periodic plan for 2017/18.

The Council currently has 41 local councillors who are elected to represent their local communities. They represent public interest as well as individuals living within their ward. They have regular contact with the general public through council meetings, telephone calls or surgeries.

By law, all members of the Council are required to complete a declaration of interest form, the details of which are published annually. The Council has adopted a Code of Conduct setting out rules governing the behaviour of its members and co-opted members of the Council.

The Code of Conduct requires Councillors to observe the seven principles of public life:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

In addition, there are rules governing disclosure of interests and withdrawal from meetings where Councillors have certain interests. Councillors are also required to record on the public register of interests of members and co-opted members their financial and other interests.

The Council has a Standards Committee to ensure that Councillors maintain the high standard of conduct that is expected of them.

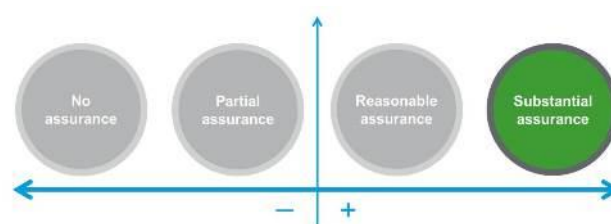


## 1.2 Conclusion

Our overall opinion was formed by reviewing policies and procedures, undertaking interviews with key staff and testing a sample of members to ensure compliance with the Council's corporate governance requirements. Our audit work has confirmed that the control framework is robust; and as a result there have been no management actions raised.

### 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:

- The Council has a Code of Conduct in place which applies to all members. This Code of Conduct has been adopted by the Council under Section 27 of the Localism Act 2011 and sets out the standards that members are expected to observe.

The Code of Conduct was last subject to review and subsequently updated in November 2016 by full Council.

The Code of Conduct is made available to all staff and the public on the Council's web page.

- Once members are elected, within their induction packs is a paper based register of interests form which is required to be completed by the member. The completed forms are returned to the Council's Monitoring Officer and immediately uploaded onto the committee management system, Modern.Gov, which then automatically publishes the information onto the Council's web page. It was confirmed for a sample of members that a register of interests form had been completed and the form matched the information that was published on the Council's web page.
- It was confirmed that all disclosures of interests are recorded, other than sensitive interests, and made available on the Council's web page. The register on the web page is kept up to date as and when any interests require amending or updating depending on the Councillor. The Monitoring Officer writes to members on an annual basis to remind them to keep their interests up to date.
- Formal asking of members to declare any interests is a standing agenda item for all Council and subcommittee meetings. If a member is to declare an interest at any meeting, depending on whether the interest is a disclosable pecuniary interest or non-pecuniary interest determines whether the member is required to withdraw from the meeting.
- It was confirmed that the Council have a Gift and Hospitality Code of Practice in place. This code is issued in order to enable members and officers to decide on the circumstances and the manner in which gifts and hospitality may be accepted. It stipulates that if members and officers are in any doubt as to whether they might accept a gift or hospitality they should decline it. This code is intended to supplement the advice given in the Code of Conduct.

- A gift and hospitality register is maintained for all areas within the Council. It is a Councillors responsibility to ensure that they inform of any gifts / hospitality received with a value in excess of £50. It was confirmed that up to date gift and hospitality registers were maintained for each of the departments within the Council.

## 1.4 Additional information to support our conclusion

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

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Non compliance with Corporate Governance requirements	0	(7)	0	(7)	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.