



GEDLING BOROUGH COUNCIL

Internal Audit Progress Report

Audit Committee

20 March 2018

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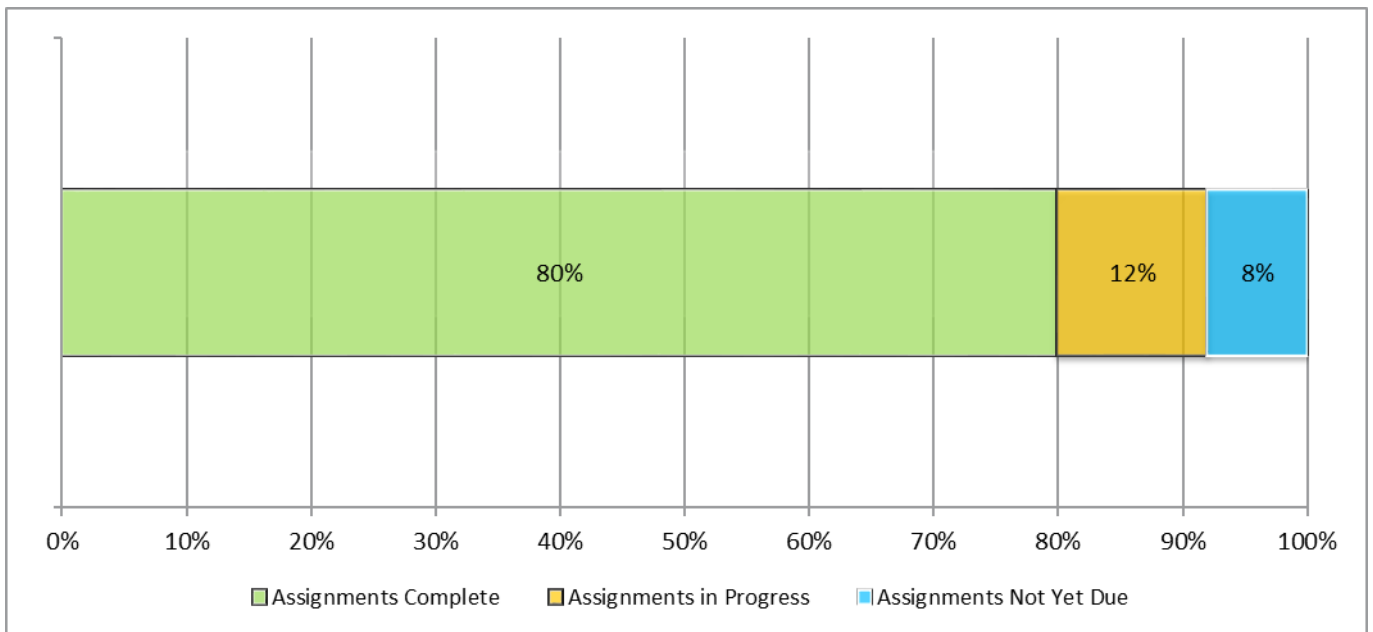
We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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 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

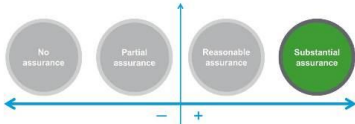
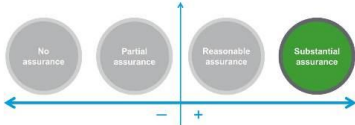
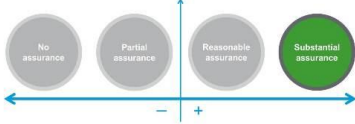
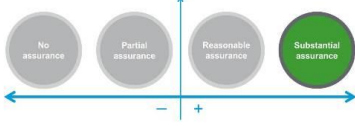
OTHER MATTERS

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

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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.

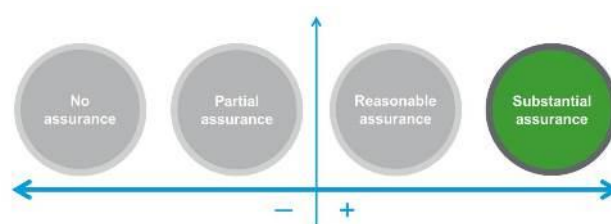
For 2016/17 the department had an approved budget of £804,100 with this increasing to £861,800 in the 2017/18 financial year from which a budget of £38,700 was issued to deliver the Arnold Carnival which finished under budget at £37,679.

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 responded to 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		
	0	(11)	0	(11)	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.
- c) Conduct exit interviews on the real reasons people leave your organisation.
 - 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.
- 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.

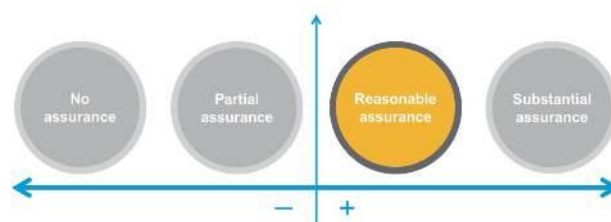
There are approximately 60 live contracts in place within the Council with a combined value of approximately £3.04million.

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	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	0	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.

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

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.

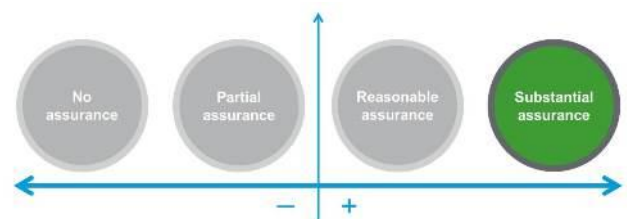
The Revenues Department is managed by the Service Manager Revenues with day to day activities being overseen by the Revenues Manager and the Team Leaders. The debtor's functions are undertaken on the Civica system with individual departments being able to raise invoices. Debt collection is undertaken 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		
	0	(16)	3	(16)	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
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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
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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.

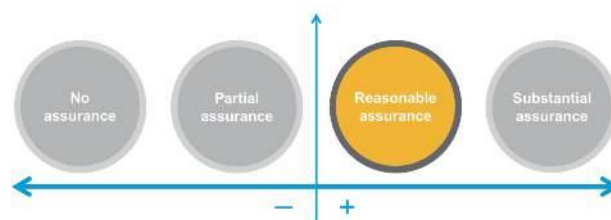
1.2 Conclusion

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	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	0	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
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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	A review of the partnerships register will take place to ensure that only current partnerships are included. 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.	30 March 2018 31 May 2018	Service Manager - Community Relations
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>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</p> <p>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.</p> <p>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.</p>				

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:

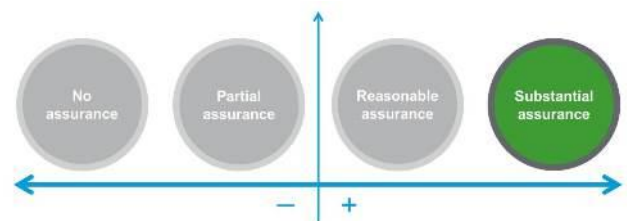
- Inputting opening budgets and opening balances at the start of each financial year;
- Amending and additions to the Chart of Accounts throughout the year;
- Clearing of the suspense account;
- Completing month-end close downs with subsequent budget reports for budget holders and reconciliations; and
- 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		
	0	(3)	0	(3)	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

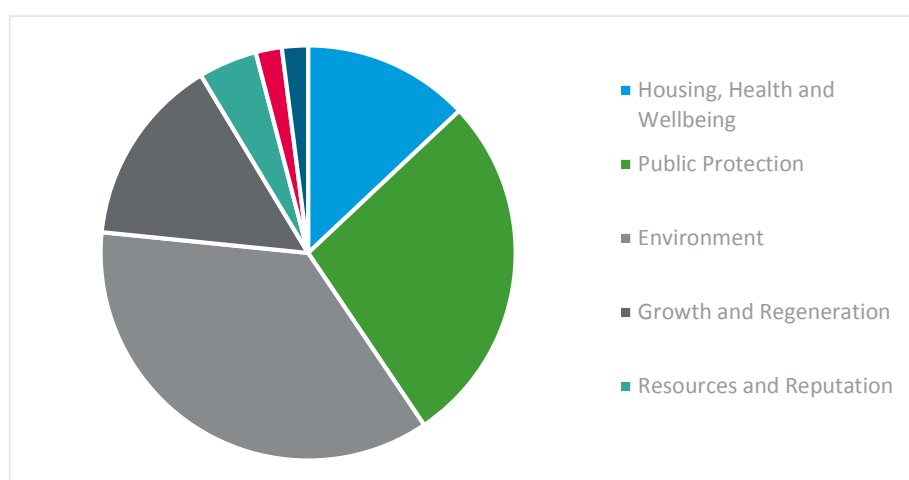
* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

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.

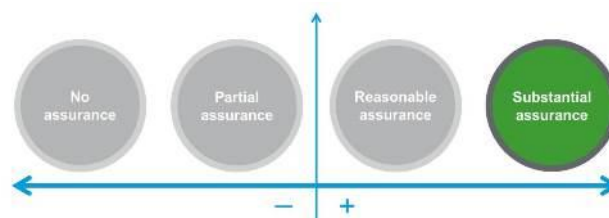
1.2 Conclusion

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.

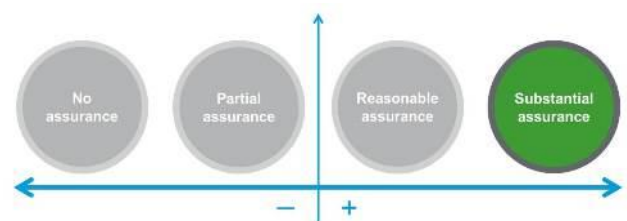
Quarterly Budget Control Monitoring Reports are prepared and produced by the finance business partners. The Monitoring Reports are presented to Cabinet and include detailed commentary updating members on financial performance year to date and explaining all significant variances from the set annual budgets. 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.