



# GEDLING BOROUGH COUNCIL

## Annual Internal Audit Report 2017/2018

24 July 2018

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM Risk Assurance Services LLP  
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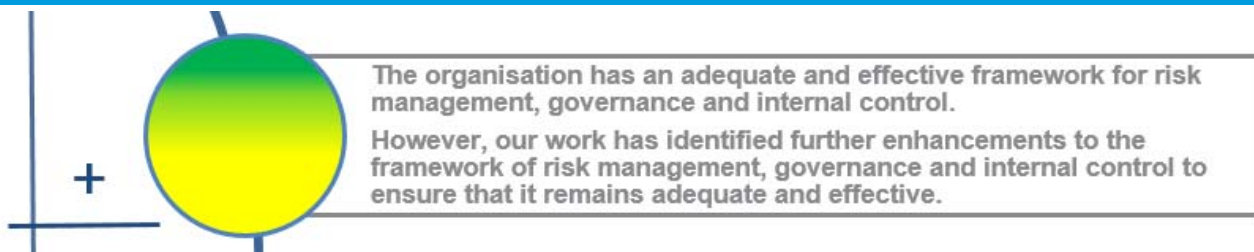
# 1 THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the Council's risk management, control and governance processes. The opinion should contribute to the Council's annual governance reporting.

## 1.1 The opinion

For the 12 months ended 31 March 2018, the Head of Internal Audit opinion for Gedling Borough Council is as follows:

### Head of internal audit opinion 2017/2018



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

## 1.2 Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee. Our opinion is subject to inherent limitations, as detailed below:

- the opinion does not imply that internal audit has reviewed all risks and assurances relating to the Council;
- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and Council-led assurance framework. As such, the assurance framework is one component that the Council takes into account in completing its annual governance reporting;
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual;
- the opinion is based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to attention; and
- it remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be seen as a substitute for management responsibility around the design and effective operation of these systems.

## 1.3 Factors and findings which have informed our opinion

### Governance

We have taken into consideration the governance and oversight related elements of each of the reviews undertaken as part of the 2017/18 internal audit plan. There is a sound governance framework in place and we have observed that the Audit Committee is effective in monitoring and challenging management and holding them to account.

An audit of Corporate Governance, with a specific focus on Members Interests was undertaken as part of the approved internal audit plan for 2017/18. This audit resulted in a substantial assurance opinion.

### Risk Management

Risk Management systems and processes were reviewed throughout the course of all audits within the Audit Plan. Systems and processes are designed to reflect current best practice in Local Authority Risk Management. The risks identified are recorded at either the corporate level, in a Corporate Risk Register or at an operational level, in Service Risk Registers.

An audit of Risk Management was undertaken during 2017/18, which resulted in a substantial assurance opinion.

### Internal Control

We undertook 20 internal audit reviews in 2017/18, which resulted in an assurance opinion. There were 15 reviews (75%) from which the Council can take substantial assurance and five reviews (25%) were carried out from which the Council can take reasonable assurance.

During the year we raised a total of 53 management actions across assurance and follow up reviews. Of the 53 management actions raised: one was 'high' priority, 12 were 'medium' priority and 40 were 'low' priority actions.

Two advisory reviews were undertaken in 2017/18:

- Ethical Phishing Campaign - A simulated phishing campaign to assess the level of user awareness in respect of current cyber risks. A report in presentation format was issued to the senior management team and presented to the Audit Committee;
- Organisational Development – This advisory review was undertaken to assess whether the Council is building the right skills, capabilities and processes to secure organisational resilience and manage key organisational risks and whether the Council has a plan for attracting, developing and retaining the workforce with the skills and capabilities they will need in future.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

## 2 THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

### 2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2017/2018.

### 2.2 Implementation of internal management actions

Our follow up of the actions agreed to address previous years' internal audit findings shows that the Council had made either reasonable or good progress in implementing the agreed actions across the two planned follow up reviews. Details of the follow up work is summarised below:

#### Follow Up 1: Reasonable Progress

Our Follow Up work has concluded that the Council has demonstrated reasonable progress in implementing the agreed management actions. Of the 16 management actions reviewed, 10 management actions had been fully implemented, one was considered to be ongoing, four had not been implemented and one had been superseded.

#### Follow Up 2: Good Progress

Our Follow Up work has concluded that the Council has demonstrated good progress in implementing the agreed management actions. Of the 17 management actions reviewed, 12 management actions had been fully implemented, two were considered to be ongoing, two had not been implemented and for one action, the implementation date was not yet due.

### 2.3 Working with other assurance providers

In forming our opinion, we have not placed any direct reliance on other assurance providers.

## 3 OUR PERFORMANCE

### 3.1 Conflicts of interest

RSM has not undertaken any work or activity during 2017/2018 that would lead us to declare any conflict of interest.

### 3.2 Conformance with internal auditing standards

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

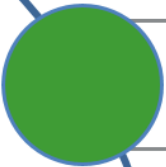
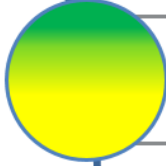

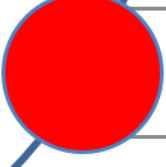
Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International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

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

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

# APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> <li>• inherent risk in the area being audited;</li> <li>• limitations in the individual audit assignments;</li> <li>• the adequacy and effectiveness of the risk management and / or governance control framework;</li> <li>• the impact of weakness identified;</li> <li>• the level of risk exposure; and</li> <li>• the response to management actions raised and timeliness of actions taken.</li> </ul>
<p>+</p>  <p>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p>	
<p>-</p>  <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p>	
 <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	

# APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2017/2018

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	Final	Reasonable Progress	0	1	4
Geographic Information Systems, Land Charges, Street Naming and Numbering	Final		0	0	3
Corporate Governance	Final		0	0	0
Ethical Phishing Campaign	Final	Advisory Review		n/a	
Cash and Banking	Final		0	1	3
S106 Agreements and Community Infrastructure Levy	Final		0	0	0
Creditors and e-Procurement	Final		0	0	2
Car Parks	Final		0	1	1
Housing Benefits and Council Tax Reduction Scheme	Final		1	0	1



Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Events Management	Final		0	0	1
Organisational Development	Final	Advisory Review		n/a	
Enforcement	Final		0	0	2
Payroll	Final		0	0	0
Contract Management	Final		0	1	3
Debtors and Debt Recovery	Final		0	1	2
Partnerships and Voluntary Sector Grant Aid	Final		0	1	4
Main Accounting Systems	Final		0	0	1
Council Tax and NNDR	Final		0	3	4
Capital Accounting and Asset Management	Final		0	0	2

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Budgetary Control and Setting	Final		0	0	0
Treasury Management	Final		0	0	1
Housing Needs	Final		0	3	2
Follow Up 2	Final	Good Progress	0	0	4
Risk Management	Final		0	0	0

# FOR FURTHER INFORMATION CONTACT

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

Our report is prepared solely for the confidential use of Gedling Borough Council, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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

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