



GEDLING BOROUGH COUNCIL

Draft Annual Internal Audit Report 2019/20

24 March 2020

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1 DRAFT ANNUAL INTERNAL AUDIT OPINION

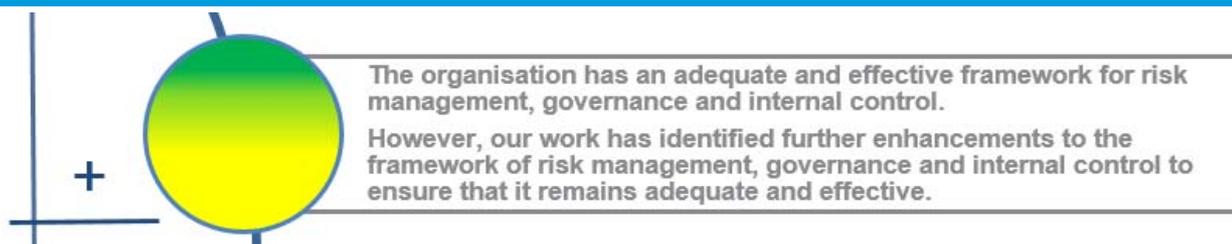
This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the Council's risk management, control and governance processes. The opinion should contribute to the Council's annual governance reporting.

This document provides our draft annual internal audit opinion for 2019/20 as at 24 March 2020. The final opinion will be set out in our annual audit report after year end.

1.1 The draft internal audit opinion

For the 12 months ended 31 March 2020 (draft as at 24 March 2020), the draft audit opinion for Gedling Borough Council is as follows:

Head of internal audit opinion 2019/2020



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

1.2 Scope and limitations of our work

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

- The draft opinion does not imply that internal audit has reviewed all risks and assurances relating to the Council;
- The draft 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 board takes into account in completing its annual governance reporting;
- The draft opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management/lead individual;
- The draft 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 draft opinion

Governance

A review of Corporate Governance was undertaken at the Council as part of the approved internal audit periodic plan for 2019/20. The review reported positively on the governance framework in place and concluded that the Council could take substantial assurance. This review resulted in one 'medium' and three 'low' priority findings; the medium priority finding related to a register of interest not being in place for all staff at the Council.

We have also taken into consideration the governance and oversight related elements of each of the reviews undertaken as part of the 2019/20 internal audit plan. We have observed that the Audit Committee is effective in monitoring and challenging management and holding them to account.

Risk Management

Our risk management opinion is informed by our observation of risk management systems and processes throughout the course of all audits within the Audit Plan. The Corporate Risk Register contains those risks which may impact achievement of the Council's strategic objectives, whereas the Service Risk Register documents risks identified at an operational level for each service area. The risks are discussed and reviewed quarterly by the Senior Leadership Team and a quarterly report is presented to the Audit Committee.

An audit of Risk Management was undertaken during 2019/20, which concluded that the Council could take substantial assurance. We did not consider it necessary to raise any management actions as a result of this audit.

Internal Control

We undertook 16 internal audit reviews in 2019/20 which resulted in an assurance opinion. There were 12 reviews (75%) from which the Council can take substantial assurance, three reviews (19%) from which the Council can take reasonable assurance and one review of IT General Controls (6%) from which the Council can take partial assurance. The IT General Controls review resulted in three high, three medium and six low priority actions being raised and agreed with management.

During the year we raised a total of 69 management actions across assurance and follow up reviews. Of the 69 actions raised: three (4%) were 'high' priority, 31 (45%) were 'medium' priority and 35 (51%) were 'low' priority actions.

An advisory review of the Council's Flexible and Lone Working arrangements was undertaken, and suggestions were provided to management to consider.

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

2 THE BASIS OF OUR INTERNAL AUDIT DRAFT OPINION

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our draft 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 2019/2020.

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 has made varied 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: Good Progress

Our Follow Up work has concluded that the Council has demonstrated good progress in implementing the agreed management actions. Of the 25 management actions reviewed, we found that 19 management actions had been fully implemented or superseded and the remaining six were ongoing or not implemented, with revised dates for completion agreed.

Follow Up 2: Little Progress

Our Follow Up work has concluded that the Council has demonstrated little progress in implementing the agreed management actions. Of the 25 management actions followed up, 10 management actions had been fully implemented, 10 were considered to be ongoing, one was not implemented and four were not yet due for implementation.

2.3 Working with other assurance providers

In forming our draft 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 2019/2020 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 Governance Scrutiny Group and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

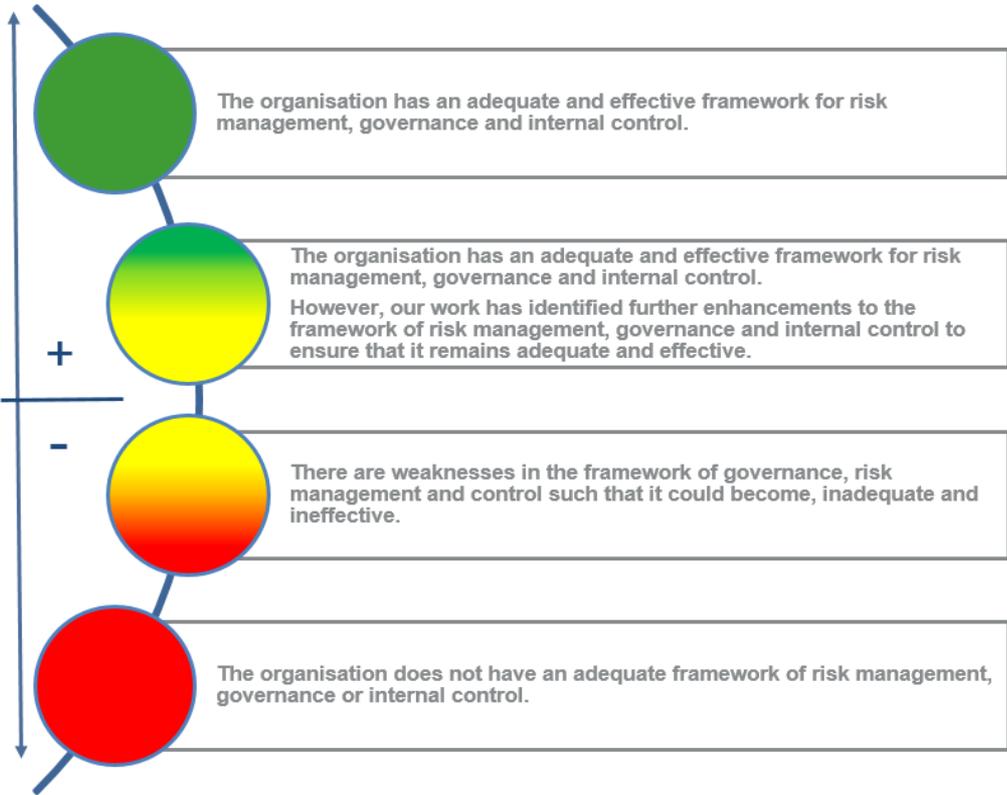
3.3 Quality assurance and continual improvement

To ensure that RSM remains compliant with the International Standards for the Professional Practice of Internal Auditing and the International Professional Practices Framework (IPPF) we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

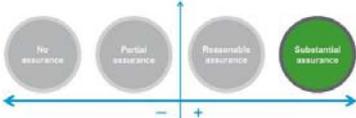
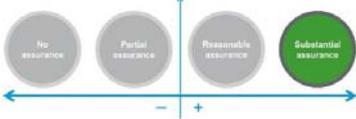
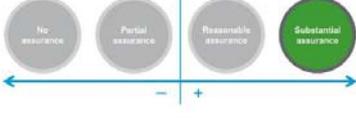
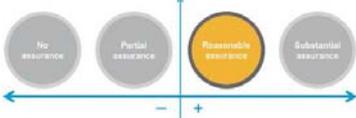
This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

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 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>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>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> • inherent risk in the area being audited; • limitations in the individual audit assignments; • the adequacy and effectiveness of the risk management and / or governance control framework; • the impact of weakness identified; • the level of risk exposure; and • the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2019/2020

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Safeguarding (1.19/20)	Director of Organisational Development and Democratic Services Director of Health and Community Wellbeing		0	3	3
Flexible and Lone Working (2.19/20)	Director of Organisational Development and Democratic Services	Advisory	0	2	3
Emergency Planning and Business Continuity (3.19/20)	Deputy Chief Executive and Finance Director		0	1	1
Building Control (4.19/20)	Chief Executive		0	1	0
Follow Up 1 (5.19/20)	Deputy Chief Executive and Finance Director	Good Progress	0	3	3
Corporate Governance (6.19/20)	Director of Organisational Development and Democratic Services		0	1	3
Debtors and Debt Recovery (7.19/20)	Deputy Chief Executive and Finance Director		0	1	0
Cash and Banking (8.19/20)	Deputy Chief Executive and Finance Director		0	1	1
Leisure Centres (9.19/20)	Director of Health and Community Wellbeing		0	4	2

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Main Accounting System (10.19/20)	Deputy Chief Executive and Finance Director		0	1	1
IT General Controls (11.19/20)	Director of Organisational Development and Democratic Services		3	3	6
Apprenticeship Levy (12.19/20)	Director of Organisational Development and Democratic Services		0	1	0
Housing Benefits, Universal Credit and Council Tax Reduction Scheme (13.19/20)	Deputy Chief Executive and Finance Director		0	1	3
Payroll and Expenses (14.19/20)	Deputy Chief Executive and Finance Director		0	0	0
Council Tax (15.19/20)	Deputy Chief Executive and Finance Director		0	2	0
Pre-Application Advice (16.19/20)	Chief Executive		0	1	4
Risk Management (17.19/20)	Deputy Chief Executive and Finance Director		0	0	0
Recruitment and Retention (18.19/20)	Director of Organisational Development and Democratic Services		0	1	3
Follow Up 2 (19.19/20)	Deputy Chief Executive and Finance Director	Little progress	0	6	5

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:

	<p>Taking account of the issues identified, the Council cannot take assurance that the controls upon which the Council relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
	<p>Taking account of the issues identified, the Council can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>
	<p>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).</p>
	<p>Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the Council relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

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.

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

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

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