



RUSHCLIFFE BOROUGH COUNCIL

Annual internal audit report 2019/20

13 May 2020

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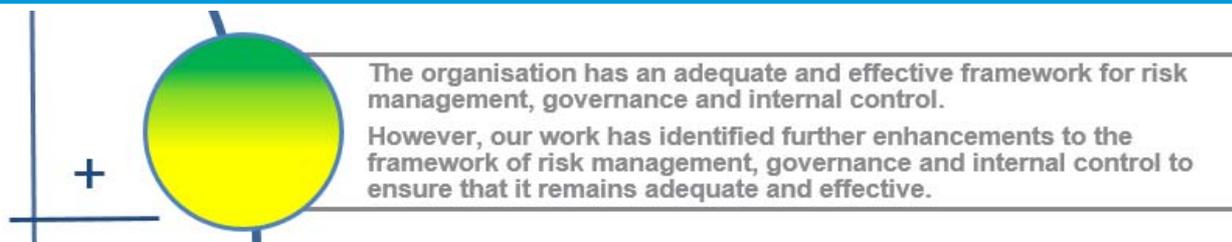
1 THE ANNUAL INTERNAL AUDIT OPINION

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 2020, the Head of Internal Audit opinion for Rushcliffe 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 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 Governance Scrutiny Group. 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 board 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; and

- Our internal audit work for 2019/20 was completed prior to the advent of the substantial operational disruptions caused by the Covid-19 pandemic. As such our audit work and annual opinion does not reflect the situation which has arisen in the final weeks of the year. We do, however, recognise that there has been a significant impact on both the operations of the Council and its risk profile.

1.3 Factors and findings which have informed our 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.

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 Governance Scrutiny Group is effective in monitoring and challenging management and holding them to account.

Risk Management

Risk Management systems and processes were reviewed 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.

In 2019/20, a Cyber Risk Management review was undertaken to ensure that computer systems and data are resilient to threats resulting from connection to the Internet. We identified that the Council has implemented a range of technical controls to help address the ever-changing cyber security landscape. The audit has highlighted that some control improvements are required with a view to enhancing the Council's cyber security risk management and strengthening the control framework. Two medium priority management actions in relation to network security and firewalls and , incident management have been raised and agreed with management along with eight low priority management actions. The Council can take 'reasonable' assurance from this review.

Internal Control

We undertook 15 internal audit reviews in 2019/20 which resulted in an assurance opinion. There were 13 reviews (87%) from which the Council can take substantial assurance and two reviews (13%) from which the Council can take reasonable assurance.

We also confirmed 'good' progress' was made in implementing previously agreed management actions from a 'Follow Up' review undertaken.

During the year we raised a total of 40 management actions across assurance and follow up reviews. Of the 40 actions raised: Six (15%) were 'medium' priority and 34 (85%) were 'low' priority actions.

To further enhance the framework for risk management, governance and internal controls, management have agreed to put actions in place.

A further two advisory audits were undertaken during 2019/20. A review of the Council's Fraud Annual Report was undertaken, and suggestions were provided to management to consider when finalising its Fraud Annual Report. At the request of management, we also carried out an additional piece of work to review the actions taken by the Council, when it appointed a new managing agent for the markets operated at Bingham.

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 2019/2020.

2.2 Implementation of internal management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place. During the year progress has been reported to the Governance Scrutiny Group, with the validation of the action status confirmed by internal audit through the follow up audit.

Our follow up of the actions agreed to address previous years' internal audit findings shows that the Council had made **good** progress in implementing the agreed actions.

Our review considered 29 management actions (three 'Medium' and 26 'Low' priority). We confirmed that 23 of these had either been implemented in full or had been superseded.

The three ongoing management actions were in relation to:

- The schedule of delegated authority was in progress of being updated (low);
- Write offs had been appropriately authorised but refresher training for the Finance Technician had not taken place (low); and
- The Corporate Procurement Strategy has been updated and presented to EMT but not updated on the Council's website (low).

The three outstanding management actions were in relation to:

- Council Tax procedure notes had not been reviewed and updated (low);
- Starter Forms (SF1) had not appropriately authorised in all instances (low); and
- Data had not been extracted from the Finance and Planning systems to allow for monthly reconciliations to be performed (low).

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 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.

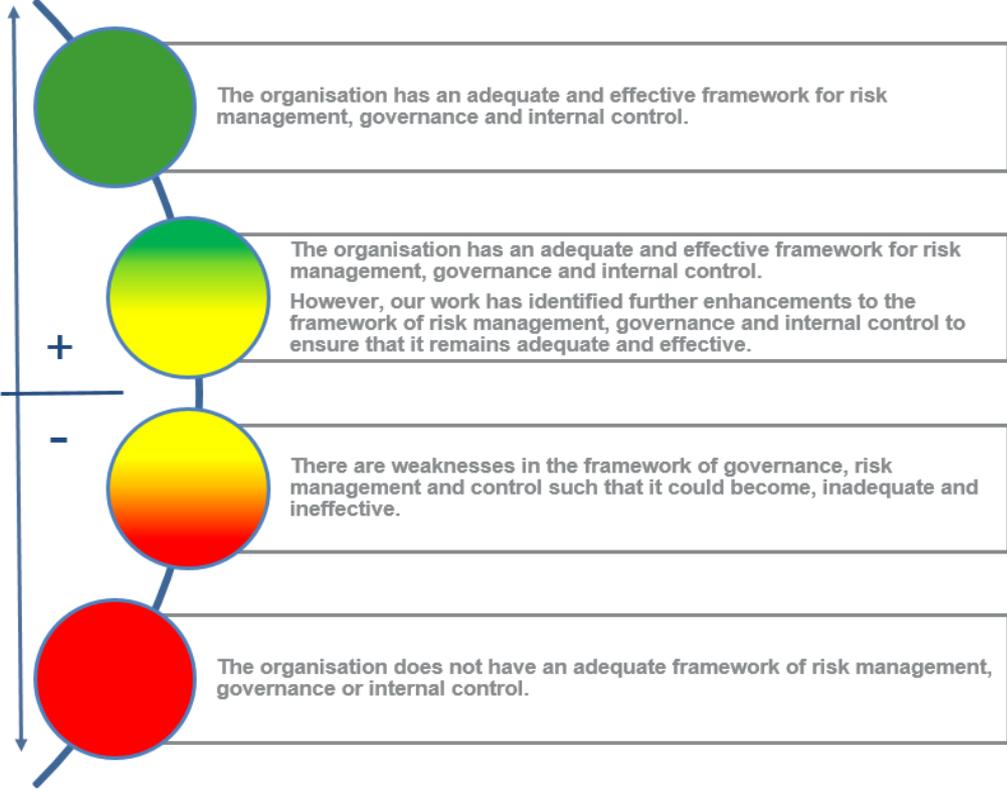
3.3 Quality assurance and continual improvement

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
Disabled Facilities Grants (1.19/20)	David Banks, Executive Manager Neighbourhoods		0	1	4
Corporate Governance (2.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1
Housing Benefits (3.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1
Building Control (4.19/20)	Dave Mitchell, Executive Manager Communities		0	3	3
Treasury Management, Cash and Banking (5.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	0
Land Charges (6.19/20)	Dave Mitchell, Executive Manager Communities		0	0	1
Annual Fraud Review	Peter Linfield, Executive Manager Finance and Corporate Services	Advisory		n/a	
Cyber Risk Management (7.19/20)	Greg Dwyer, ICT Manager		0	2	8
Insurance (8.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Creditors and e-Procurement (9.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1
Markets – Review of New Contractual Arrangements (10.19/20)	Leanne Ashmore, Executive Manager Transformation	Advisory		n/a	
Business Support Unit (11.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	4
Payroll (12.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	1
Enforcement – Statutory Nuisance (13.19/20)	David Banks, Executive Manager Neighbourhoods		0	0	1
Follow Up (14.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services	Good Progress	0	0	6
Garden Waste (15.19/20)	David Banks, Executive Manager Neighbourhoods		0	0	0
Property Leases / Rent (16.19/20)	Leanne Ashmore, Executive Manager Transformation		0	0	0
Main Accounting System (17.19/20)	Peter Linfield, Executive Manager Finance and Corporate Services		0	0	2

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 Rushcliffe 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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