



**INTERNAL AUDIT ANNUAL REPORT AND ANNUAL
STATEMENT OF ASSURANCE**

Rushcliffe Borough Council

2020/21

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IBDO

CONTENTS

	Page
Summary of 2020/21 Work	3
Review of 2020/21 Work	4
Summary of Findings	9
Added Value	10
Key Themes	11
Background to Annual Opinion	12
Key Performance Indicators	15
Appendix 1: Opinion and recommendation significance	16

SUMMARY OF 2020/21 WORK

Internal Audit 2020/21

This report details the work undertaken by internal audit for Rushcliffe Borough Council and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

- Events, Social Media and Communications
- Budget Monitoring and Reporting
- Main Financial Systems inc. Payroll, Ctax/NNDR and Treasury Management
- Licensing
- Fraud Report
- Pest and Dog Control
- Covid 19 Grants Assurance
- Recruitment and Retention
- Cyber Security

We have detailed the opinions of each report and key findings on pages four to eight. Our internal audit work for the 12 month period from 1 April 2020 to 31 March 2021 was carried out in accordance with the internal audit plan approved by management and the Audit Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Board, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period. The basis for forming my opinion is as follows:

- Overall, we are able to provide Moderate Assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. This is our second highest level of assurance. In forming our view we have taken into account that:
- The overall anticipated budget position is a positive budget efficiency of £0.721m this takes into account financial challenges caused by the pandemic, additional government funding and importantly in-year net efficiency savings. The positive budget position will help replenish the Organisation Stabilisation Reserve so the Council has the resources to meet a potential future Medium Term Financial Strategy budget deficit; and significant financial risks going forward. Such risks include the Covid legacy or Government policy changes, such as business rates reform. At

quarter three, the planned underspend on capital is £7.3m (net of carry forwards agreed in the Q2 finance report). This is as a result of uncommitted funds in the Asset Investment Strategy; re-profiling of Bingham Hub expenditure based on a revised cash flow position; and an underspend on Disabled Facilities Grants.

- The Council has a balanced budget for 2020/21 from what was a projected £0.56m deficit last year. The council is forecasting a £0.45m budget deficit for 2021/22, which will be balanced by a combination of identified in-year budget efficiencies or transfers from reserves. Going forward the Council will set prudent savings targets together with careful investment to ensure that the Councils spending is sustainable and future proof.
- At the beginning of 2020-21, there was significant pressure placed on the Council to respond to the Covid - 19 pandemic. Whilst some of our audit work was paused briefly, the Internal audit Programme for 2020-21 has been successfully completed. In addition, the nature of remote working impacted the timely completion of audit reviews this has resulted in a heavier quarter 4 whereby remaining reviews have been finalised.
- We undertook a follow up process in November 2020 and June 2021 covering the 33 legacy recommendations for 2019 - 20 Of these, 25 were successfully implemented, four had superseded, One remained in progress (Cyber Security) and three low level recommendations were not implemented for Council Tax. Recommendation issued on BDO reviews which were finalised by June 2020 i.e. Budget management, Social Media, Main Financial Systems and Licensing were successfully implemented. Overall this demonstrates good progress and an effective escalation process to the Service Manager for Corporate services (if required).
- All of our reports this year which contained an opinion, have provided either Substantial or Moderate assurance, including Four with substantial assurance on both design and effectiveness (Budget Monitoring and Reporting, Main Financial Systems and Covid 19 Grants Assurance and Cyber Security), One with substantial assurance on design effectiveness only (Events, social media and communications) and three with moderate assurance on both design and effectiveness (Licensing, Pest and Dog Control and Recruitment and Retention). Covid 19 has presented some control challenges for all Councils and this has been reflected in our audit work. The Council need to achieve substantial assurance on both design and effectiveness on a majority of their audit reviews in 2021-22 to achieve a substantial opinion overall. None of our local authority clients achieved substantial assurance in 2020-21.

REVIEW OF 2020/21 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Events, Social Media and Communications	-	1	5	Substantial	Moderate	<p>The Council's social media accounts provide them with multiple platforms with which they utilise to advertise events and communicate with its residents quickly and to a large population. In light of Covid-19, effective communications has become critical in providing Council information and updates on service provision.</p> <p>Overall, the Council is proactive in its approach to informing the public of changes in events due to emergencies e.g. floods and Covid-19 and posts consistent messages across its social media platforms. However, we have raised one medium priority finding in relation to the high level objectives and key performance indicators (KPIs) for social media within the Council, as well as the measurement and reporting of these. Additionally we found areas of improvement to ensure best practice in terms of access controls, event planning and oversight of the social media dashboard.</p>
Budget Monitoring and Reporting	-	-	2	Substantial	Substantial	<p>The Council has made a conscious effort to constrain expenditure and increase income whilst still delivering effective services. It achieved a balanced budget in 2019/20, increasing Reserves by £1.92m. This is despite the challenges it faces which are common to all councils, for example, the reduction of Revenue Support Grant, which for Rushcliffe reduced from approximately £3.25m, from 2013-14 to zero in 2019-20. This has led the Council to find significant efficiencies, maximise income streams and be increasingly innovative. A general fund balance of £2.6m and a balanced budget is forecast for 2020-21.</p> <p>Overall, it was evident that robust processes are in place at Rushcliffe to monitor the budget. Staff are engaged, proactive and take accountability for their areas and reporting takes place regularly. The strong control environment is borne out by the fact that Rushcliffe has traditionally always been able to balance the budget and despite the current crisis, is only forecasting a deficit of circa £500,000.</p> <p>Addressing the two low level findings documented would strengthen these processes even further.</p>

Main Financial Systems	-	-	3	Substantial	Substantial	<p>The purpose of this review was to provide assurance over the design and effectiveness of the controls in place around the main financial systems, specifically, the payroll, Ctax/NNDR and treasury management. Overall, the Council have robust controls in place to manage both their payroll and accounts receivables activities. We have therefore concluded on Substantial assurance on the design and Substantial Assurance on the effectiveness of controls.</p> <p>However, we have raised three low level recommendations for the Council to note.</p>
Licensing	-	5	3	Moderate	Moderate	<p>The Council have developed a robust approach to licensing across the organisation by developing a central hub for any activity that requires a licence from across the authority which helps to ensure consistency of approach.</p> <p>Our review found that the Licensing Team have undertaken significant work in 2020 as a result of the change of software and plans are in place to improve oversight and reporting of applications. Whilst these processes have begun, our testing identified issues with the supporting evidence held for HMO licences as well as public registers not being sufficiently operational and further improvements needed to the licensing software.</p> <p>Additionally, updates are required for the reconciliation process as well as improvements in performance reporting. We have therefore provided moderate assurance over the control design and operational effectiveness.</p>
Pest and Dog Control	-	3	-	Moderate	Moderate	<p>Our review found that there are sufficient controls in place regarding the operational delivery of pest and dog control services within the Council. The time taken to respond to, and attend sites to undertake pest control are appropriate and revisits are undertaken in line with the requirements set out on the Council's website. However, oversight of specific areas of performance require review whilst there is also a lack of scrutiny in terms of eligibility for the lower, subsidised, fee for domestic pest control services. Additionally, the reconciliation process is not being undertaken in line with guidance held within the team. We have therefore provided moderate assurance over both the control design and operational effectiveness.</p>
Covid 19 Grants Assurance	-	-	-	Substantial	Substantial	<p>Through our testing we are able to provide reasonable assurance that the grants application and payment process was free from material issues caused by fraud or error. However as we have only tested a sample of 20 grant payments made from a total population of 1,660 grant payments of all types made, we are not able to provide absolute assurance that the remaining population is also free of errors.</p> <p>Therefore on the basis that no errors were identified in the audit sample, substantial</p>

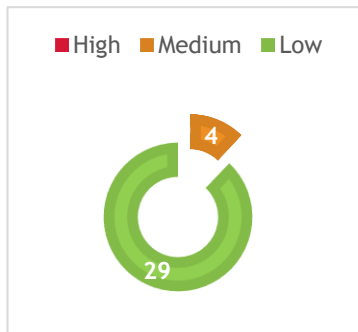
					assurance is provided on both the design and the operational effectiveness of controls around awarding of Covid-19 grants.	
Recruitment and Retention	-	2	1	Moderate	Moderate	<p>Our review found that there are sufficient controls in place regarding recruitment and retention of staff. The Council has taken various initiatives to improve recruitment and retention; for instance the development of 'People Strategy' and 'Smarter Ways of Working Framework' along with the utilisation of staff surveys.</p> <p>It is noted that significant work has been undertaken despite a challenging year due to Covid and the Council has continued to introduce new, and review existing, practices. However, improvement can be made in certain areas; for instance the People Strategy Action Plan is not being presented at EMT during monthly meetings for oversight. Additionally, the recruitment and retention policy is out of date and needs to be updated to reflect that approval from EMT is necessary to begin recruitment for a post. We have therefore provided a moderate assurance over both the control design and operational effectiveness.</p>
Cyber Security	-	1	1	Substantial	Substantial	<p>The Council's ICT team has taken actions to design the configuration of its IT network perimeter security controls so that the exposure to a cyber-attack is reduced. There are effective patch management controls which mean that the Council has no unsupported operating systems on the network. Furthermore, domain administrator access is appropriately restricted to the members of the IT team.</p> <p>However, we found that there are areas for improvement, in particular the need to ensure that all members of staff complete the Cyber security training programme, which could be exploited to gain unauthorised access to the IT network, as well as penetration test vulnerabilities to be addressed.</p> <p>We therefore conclude substantial assurance over the design and operational effectiveness of the controls with regards to the Council's cyber security arrangements.</p>

SUMMARY OF FINDINGS

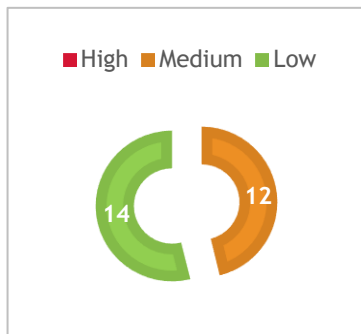
RECOMMENDATIONS AND ASSURANCE DASHBOARD

Recommendations

RSM 2019 - 20



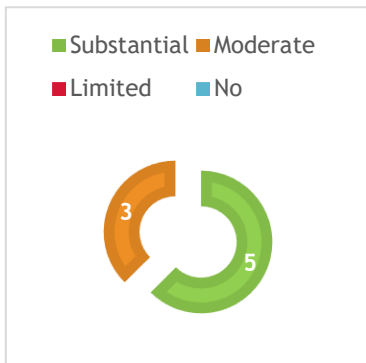
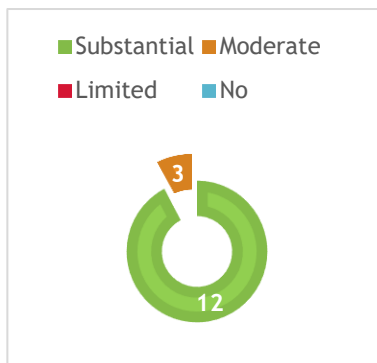
BDO 2020 - 21



In 2020-21, there were a total of 27 recommendations issued; 12 Medium and 15 Low recommendations. In comparison, in 2019 - 20, there were a total of 33 legacy recommendations; 29 Low and four Medium recommendations.

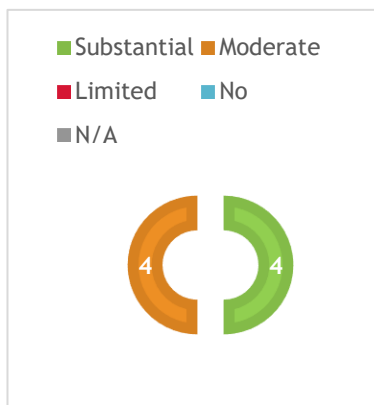
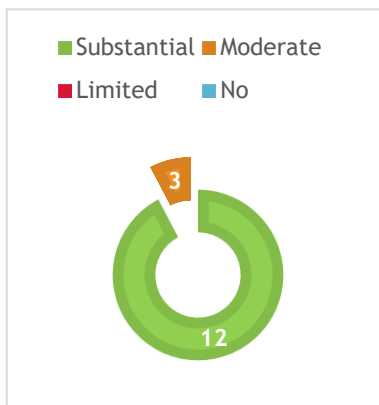
Whilst there is an 18% reduction in the number of recommendations issued by BDO in comparison to RSM, there has been an increase of eight more medium recommendations in 2020-21. Although the Council is moving towards a state of better systems and control environment. There has been some impact on system controls due to the pandemic and this is our first year at the Council, therefore we are understanding the control environment from a new perspective.

Control Design



In 2021 - 21 there was five substantial and three moderate control design opinions. In comparison to 2019 - 20 there were 12 substantial and three moderate control design opinions issued. We have undertaken reviews in areas that have not been reviewed by the predecessor auditors i.e. Pest and Dog Control and Recruitment and Retention which have resulted in moderate assurance opinions*

Control Effectiveness



In 2020 - 21 there was four substantial and four moderate control effectiveness opinions issued. In comparison to 2019 - 20 there were 12 substantial and three moderate control effectiveness opinions issued. The proportion of moderate opinions has slightly increased in 2020-21. The same issues above apply, i.e. we have undertaken reviews in areas that have not been reviewed by the predecessor auditors and it is likely that Covid-19 has impacted on the application of controls, particularly the availability of information and supporting evidence.

*It should be noted that the opinions from the predecessor auditor both control design and operational effectiveness may not be directly comparable as the definition of opinions vary.

ADDED VALUE



USE OF SPECIALISTS

We undertook one IT review this year (Cyber) and deployed an IT specialist to undertake the work. Further, we completed the annual Fraud Report and delivered Anti-Fraud training in which we utilised counter fraud specialists



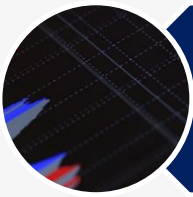
RESPONSIVENESS

Despite the complexities added by Covid, we completed the 20/21 annual plan before May 31st



BENCHMARKING AND BEST PRACTICE

We have shared best practice examples from our clients and other local government organisations in a number of our reviews as well as performing benchmarking exercises in a number of audits. These were seen in Licensing, Pest and Dog Control and Recruitment and Retention



INNOVATION

We have used our audit days innovatively to support the Council in achieving its aims e.g. by using data analytics where possible in the main financial systems audit.

KEY THEMES



PEOPLE

The Council welcomed internal audit and provided us with strong levels of time and support during our reviews. Training compliance could be improved, eg cyber security



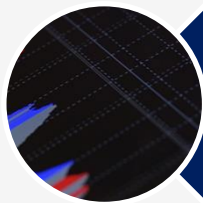
SYSTEMS & PROCESSES

Overall the systems and processes were sound. However, we found that there are areas for improvement, eg cyber penetration test vulnerabilities to be addressed. Furthermore, audit trails and monitoring could be improved in operational areas such as Licensing and Pest Control.



POLICES & PROCEDURES

Policies and procedures were in place and were subject to approval throughout service areas within the Council. However, we noted instances of policies either being out of date or not containing processes, eg recruitment.



GOVERNANCE & FOLLOW UP

Overall governance processes were robust with formal reporting lines established. However, in both Pest and Dog Control and Recruitment and Retention we identified a lack of reporting against KPIs.

BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to Rushcliffe Borough Council is to provide an opinion to the Board, through the Governance Scrutiny Committee on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 12 month period from 1 April 2020 to 31 March 2021 was carried out in accordance with the internal audit plan approved by management and the Governance Scrutiny Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by Rushcliffe Borough Council to manage risks in business areas identified by management set out in the 2020-21 Internal Audit Annual Plan approved by the Governance Scrutiny Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Rushcliffe Borough Council's management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Reporting Mechanisms and Practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Governance Scrutiny Committee is to agree reports with management and then present and discuss the matters arising at the Governance Scrutiny Committee meetings.

Management actions on our recommendations

Management were engaged with the internal audit process and provided time to us during the fieldwork phases of our reviews, providing audit evidence promptly and allowing the reviews to proceed in a timely manner, including opportunities to discuss findings and recommendations prior to the issue of draft internal audit reports. Management responses to draft reports were mostly within our requested time frame, however, there were some instances where the turnaround of draft reports was slow.

Recommendations follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

Good progress has been made on legacy recommendations and those followed up during the year have broadly been engaged with well. In November 2020 there were a total of eight legacy recommendations remaining to be implemented. All 2020-21 recommendations are due to be reviewed as part of the follow up process. Completion of recommendations is broadly good with limited concerns at this stage.

Relationship with external audit

All our final reports are available to the external auditors through the Governance Scrutiny Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

Report by BDO LLP to Rushcliffe Borough Council

As the internal auditors of Rushcliffe Borough Council we are required to provide the Audit Committee, and the Director with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Rushcliffe Borough Council with Moderate Assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2020-21. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2020-21
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to Rushcliffe Borough Council
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work







KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
Quality of work	Feedback on particular reviews around Main Financial Systems, Covid 19 Grants and Budget Management and Reporting have been positive in discussions with Executives and auditees. We have only received one completed client satisfaction return which scored us as 4/5.	G
Responsiveness of the service	We have responded to deadlines and targets generally well however, there have been limitations due to the pandemic and working remotely. We responded quickly to collating the 2020-21 internal audit plan and any changes to the Audit Plan mid-way through the year. We recognised that HR could not accommodate us throughout the year for the recruitment and retention review and therefore focussed our efforts in completing this by quarter 4 of the audit plan. Due to the delays experienced with Covid it has taken substantially longer to complete audit reviews. However, we have closed the year with completing the 2020-21 internal audit programme.	A
Completion of audit plan	We have completed our Internal Audit Programme for 2020-21.	G
Follow-up of recommendations	We escalate all non - responses and recommendations with several revised due dates to the Council's Corporate Services Manager (if required). However, there have been no instances where we have had to escalate for responses as auditees have been receptive in responding to both legacy and BDO recommendations.	G



APPENDIX I

ANNUAL OPINION DEFINITION	
Substantial - Fully meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance.
Moderate - Significantly meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is some risk of failure or non-compliance.
Limited - Partly meets expectations	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the areas under review. There is a significant risk of failure or non-compliance.
No - Does not meet expectations	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the areas under review. There is an almost certain risk of failure or non-compliance.

REPORT OPINION SIGNIFICANCE DEFINITION				
Level of Assurance	Design Opinion	Findings	Effectiveness Opinion	Findings
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed, albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of noncompliance with some controls that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE DEFINITION	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

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