

REPORT OF THE HEAD OF INTERNAL AUDIT

INTERNAL AUDIT ANNUAL REPORT 2012/13 AND INTERNAL AUDIT CHARTER**1. PURPOSE OF THE REPORT**

This report outlines the work of the Internal Audit (IA) service at the end of the fourth quarter 2012/13 and introduces the Internal Audit Charter (the Charter). The report includes the Head of Internal Audit's (HoIA) annual opinion on the effectiveness of the internal control systems operating within the City Council and its significant partnerships.

2. RECOMMENDATIONS

- 2.1 To note the audit work completed during the year.
- 2.2 To note the Head of Internal Audit's Annual Opinion.
- 2.3 To select two audits from **Appendix 1** for examination at the November meeting.
- 2.4 To endorse the Internal Audit Charter at **Appendix 5**.

3. REASONS FOR CONSIDERATION

- 3.1 The Accounts and Audit Regulations 2011 state that local authorities should maintain an adequate and effective system accounting for the resources it uses and an effective system of internal control.
- 3.2 The Audit Committee's Terms of Reference include receiving an annual report on the work of IA.
- 3.3 New Public Sector Internal Audit Standards (PSIAS) came into being in December 2012 (available for viewing at <http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>). In accordance with the PSIAS, the responsibility for the management of Internal Audit is set with the Board. In practical terms this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City council.
- 3.4 The PSIAS require the HoIA to deliver an annual audit opinion and report which can be used to inform the Annual Governance Statement. The annual report should include a summary of the work supporting the opinion.
- 3.5 The PSIAS also require the production of a Charter which defines the purpose, authority and responsibility of the internal audit function. The Charter, which should be reviewed regularly, is to be presented to the Audit Committee for endorsement. The Charter is attached at **Appendix 5** and has been updated to reflect the standards set in the PSIAS

4 OVERVIEW OF WORK UNDERTAKEN

- 4.1 The IA service impacts on corporate objectives by bringing a systematic disciplined approach to improve the effectiveness of risk management control and governance processes and is an important part of the Council's governance and control framework.
- 4.2 The coverage set out in the 2012/13 Audit Plan has been substantially achieved and the associated Performance Indicator targets have been met.
- 4.3 The assurance gained from this activity together with that gained from a review of other control and assurance mechanisms, has enabled the HoIA to give a reasonable assurance that the internal control systems are operating effectively within the Council and its significant partnerships.

5 REVIEW OF THE YEAR

Reports to the Audit Committee

An important part of the IA service is to inform the Audit Committee (the Committee) about the adequacy of the Council's governance and internal control systems and an important role of the Committee is to oversee the performance of the IA service. **Table 1** lists the reports the Committee has received from the HoIA during the last year.

TABLE 1: REPORTS FROM HEAD OF INTERNAL AUDIT	
Report	Purpose
Annual Governance Statement 2011/12	Informed councillors about the overall control environment.
Internal Audit Quarterly Reports 2012/13	Allowed the Committee to review the performance of the service.
Internal Audit Reports Selected for Examination	Allowed councillors to gain a detailed view of some of the services reviewed and gain a clear insight into how and why work was undertaken.
Role of Audit Committee and Work Programme 2012/13	Helped the Committee to determine a work programme aligned to its Terms of Reference.
Internal Audit Charter	Informed the Committee of the rationale underpinning the service, the standards it would meet, and the way it interfaced with the City Council and its partners.
Counter Fraud Strategy 2012/13	Informed councillors of the policies and procedures in place by the Council to address the risk of fraud.
Internal Audit Annual Plan 2012/13 & IA Strategic Plan	Informed councillors of the impending work programmes and how this and

	future work impacted on the Council Plan.
Internal Audit Annual Report 2011/12	Gave the Committee an overview of the work undertaken by IA and gave the HoIA's opinion in respect of the Council's overall control environment.
Updates on internal audit plans and work for East Midlands Shared Services (EMSS)	Informed councillors of the IA work being done during the implementation of the project and also that planned for the first year of East Midlands Shared Services (EMSS) operations

5.1 IA Activity

The following outlines the IA work completed in 2012/13.

Local Performance Indicators

Table 2 illustrates how the service has met its key quality and output objectives as reflected in its Charter and agreed by the Committee.

TABLE 2: PERFORMANCE OUTTURN				
Indicator		Target	Actual Year to 31/03/13	Comments
1.	% of all recommendations accepted	95%	97%	Above Target
2.	% of high recommendations accepted	100%	97%	Rejections due to new systems being introduced.
3.	Average number of working days from draft agreed to the issue of the final report	8 days	4 days	Above Target
4.	Number of key / high risk systems reviewed	15	15	Target Achieved
5.	% of colleagues receiving at least three days training per year	100%	100%	Target Achieved
6.	% of customer feedback indicating good or excellent service	85%	91%	Above Target

Resources Used

The 2012/13 net budget for the service was £415,217. The final outturn shows an under-spend of £6,000. Colleagues in post were professionally qualified and/or had extensive practical experience in the public sector. All colleagues participated in personal development reviews and received at least three days training according to business needs.

Service Quality and Compliance with PSIAS

The service works to a Charter (**Appendix 5**) endorsed by the Audit Committee. This Charter governs the work undertaken by the service, the standards it adopts and the way it interfaces with the Council. IA colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. It has adopted, and substantially complied with the principles contained in the PSIAS, and has fulfilled the requirements of the Account and Audit Regulations 2011 and associated regulations in respect of the provision of an IA service.

The service has internal quality procedures is ISO9002 accredited.

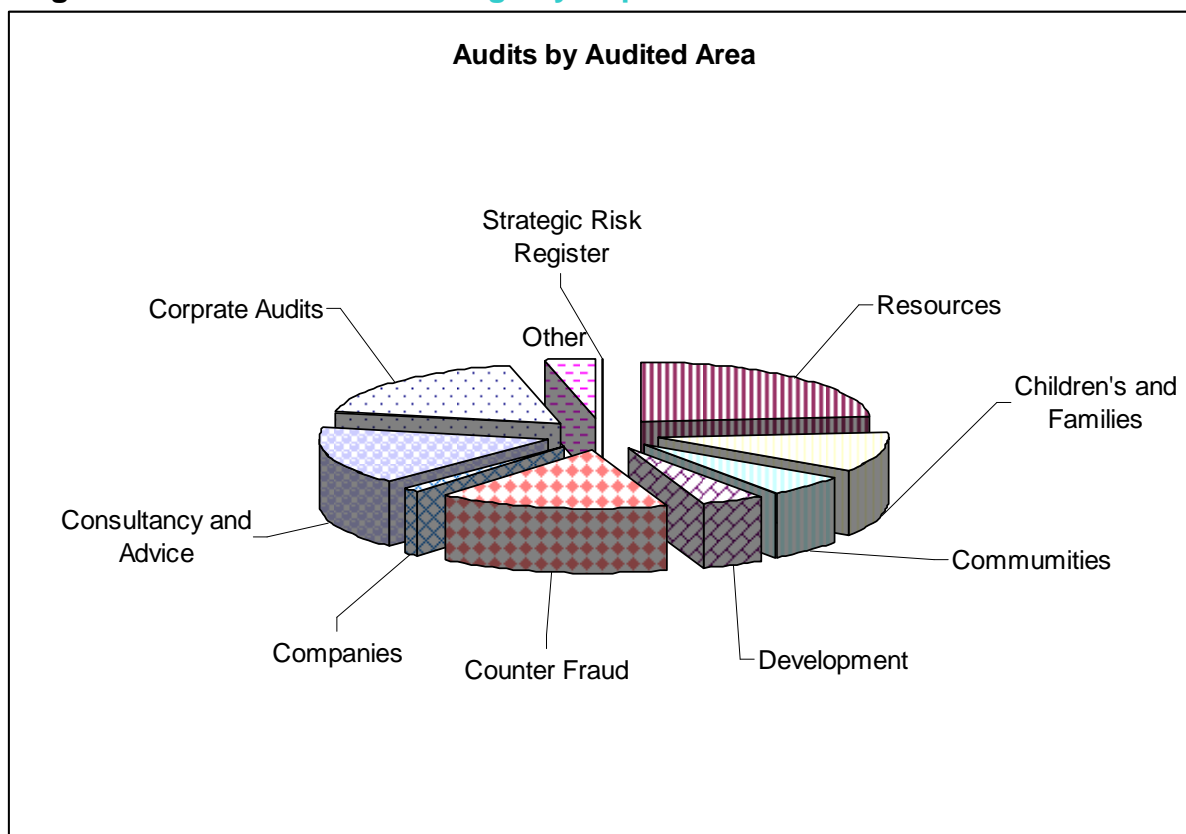
Audit Plan

The Audit Plan and quarterly monitoring reports were presented to the Committee throughout the year, detailing progress against the Plan.

Table 3: Plan Outturn		
Total Planned Days	Actual End of Year	Comments
1595	1550	97% Plan Achieved – within accepted practice

The final outturn for 2012/13 is given in **Table 3** above and the audit coverage across departments and other service areas is shown in **diagram 1. Appendix 4** gives a lower level picture of how the planned resources were allocated against each of the main headings reported regularly to the Committee. This appendix illustrates that there was no significant variation from the plan originally endorsed by the Committee.

Diagram 1 Internal Audit Coverage by Department



Appendices 1 and 2 give details of the findings of the non-school audits together with an outline of the recommendations and levels of assurance given. A list of the audits completed for the whole year, the level of assurance given and the number of recommendations made is given in **Appendix 3**.

Actual planned days have been sufficient to substantially complete the Audit Plan. **Appendix 4** contains the detailed Plan. In accordance with normal practice, the Plan was flexed during the year and changes were reported to the Committee.

Recommendations analysis by risk

Table 4 shows the total of all recommendations made in the period. Overall recommendations performance is within the IA target of 95%. **Appendix 3** shows the breakdown of recommendations made in audit reports.

TABLE 4: RECOMMENDATIONS ACCEPTED DURING 01/04/12 TO 31/3/13		
	2012/13	
	All	High
Total recommendations made	297	144
Rejected	9	4
Total recommendations accepted	288	140
Percentage accepted	97%	97%

Head of Audit's Annual Opinion 2012/13

The PSIAS require the HoIA to give an opinion and report to inform the City Council's Annual Governance Statement. Corporate Directors are responsible for ensuring that proper standards of internal control operate within their directorates. IA reviews these controls and gives an opinion in respect of the systems and processes put in place. The IA service works to a risk based Audit Plan agreed with Corporate Directors and agreed by the Committee.

The audit work concludes with a report detailing the findings and giving an overall level of assurance.

The 2012/13 Audit Plan has been completed in accordance with the PSIAS and other professional standards applicable to the service. The IA service has undertaken reviews of the internal control procedures in respect of the key systems and processes of the Council and its partners, where appropriate. The service has operated within professional standards as PSIAS

Planned work has been supplemented by ad hoc reviews in respect of irregularities and other work commissioned by Corporate Directors or the partners of the City Council and the work undertaken by external review agencies. Reports in respect of all reviews have been issued to the responsible colleagues, together with recommendations and agreed action plans. Further, each quarter a list of reports has been sent to the Committee for consideration.

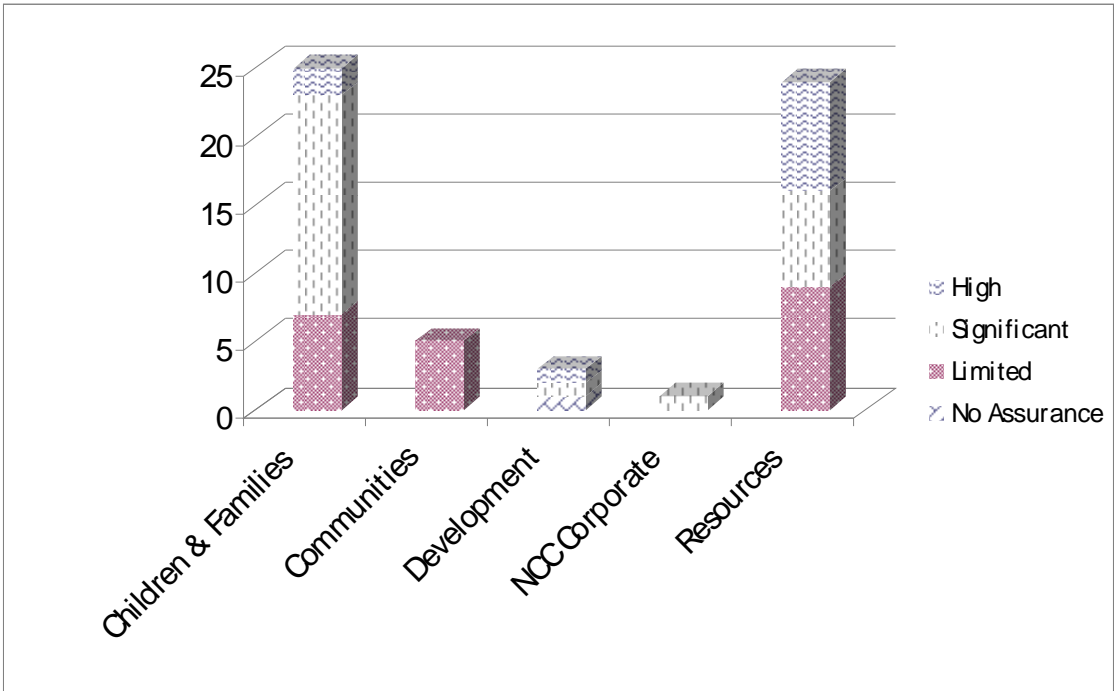
Level of Assurance Given in Audit Reports

Work undertaken gives a level of assurance to be derived from the findings based on the following definitions:

High Assurance	High assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed. Our work found some low impact control weaknesses which, if addressed, would improve overall control. These weaknesses are unlikely to impair the achievement of the objectives of the system.
Significant Assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
Limited Assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
No Assurance	No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

Diagram 2 illustrates the assurance given to Corporate Directors during the year.

Diagram 2: IA assurances given by department 2012/13

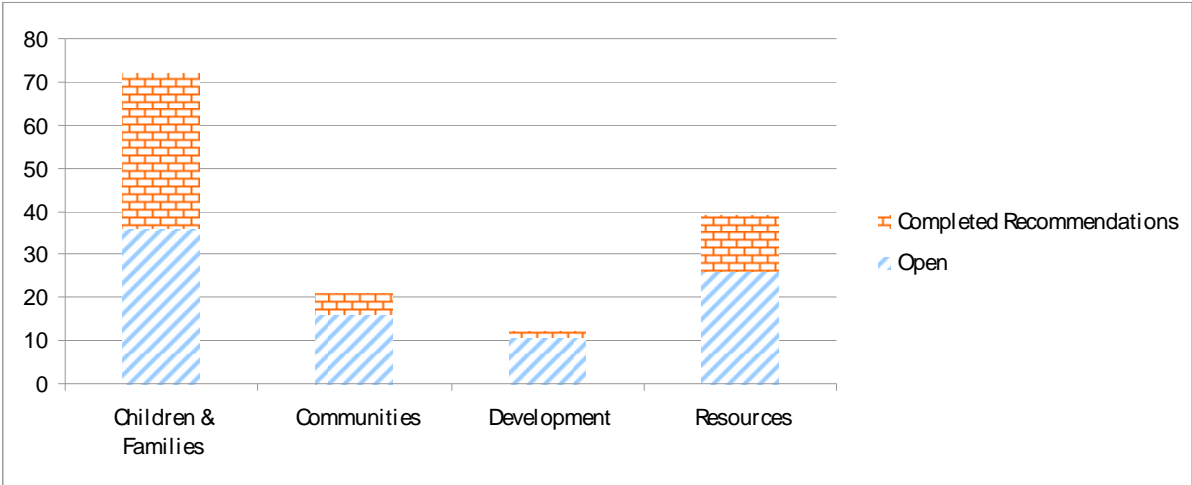


A level of assurance was given in all the reports issued and only one report gave no assurance. The diagram reveals a consistent picture of assurance across the directorates. The assurance given informs Corporate Directors' opinion of their corporate governance arrangements and ultimately helps them give assurance for the Annual Governance Statement. For those areas receiving significant and limited assurances, recommendations were made to address the issues and risks identified. The HoIA judges that the action taken to date to address these issues has been proportionate and timely enough to mitigate the risks involved.

High Risk Recommendations Made and Outstanding

High risk recommendations are monitored and those outstanding beyond their target date are reported to the Committee. The HoIA believes that Corporate Directors have acted appropriately to address the recommendations reported to them. **Diagram 3** illustrates the recommendations made and implemented by directorate, and those still in the process of implementation.

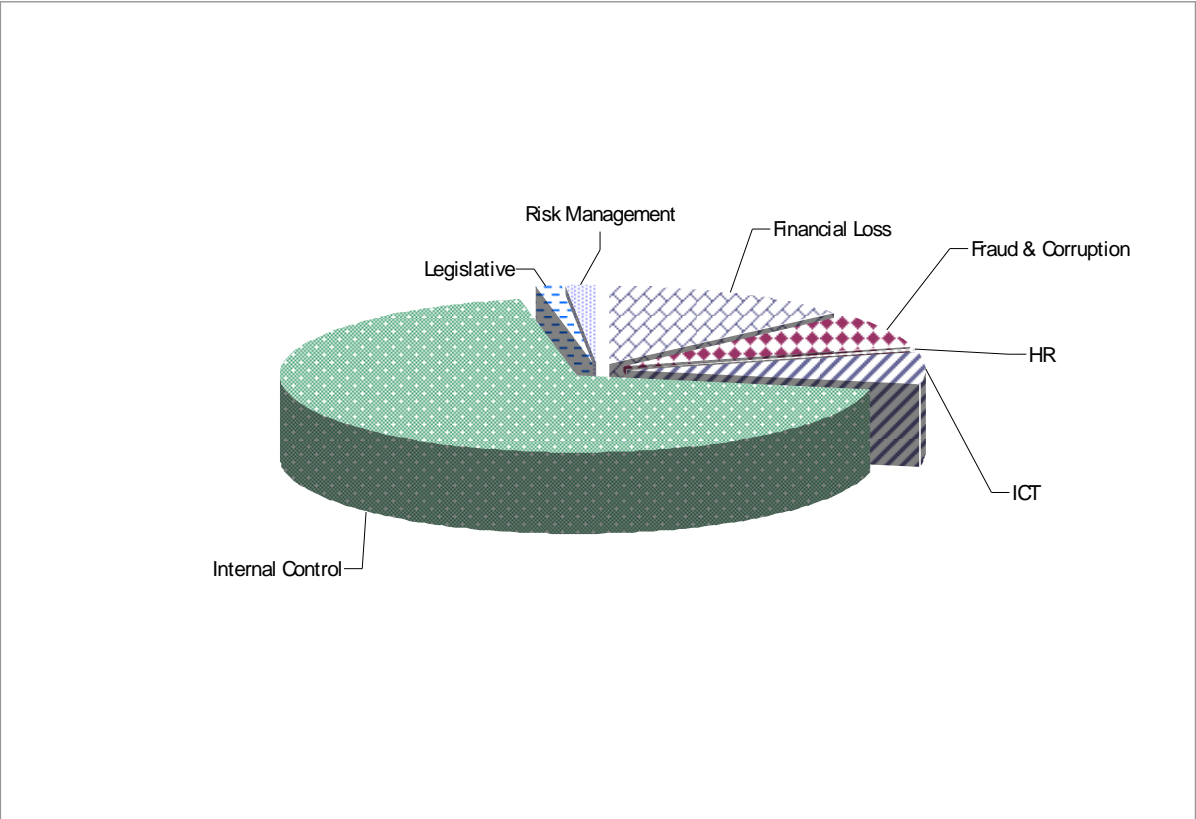
Diagram 3: High Risk Recommendations



Risk Themes

Recommendations made are categorised into themes to reflect the main element of the weaknesses they are trying to address.

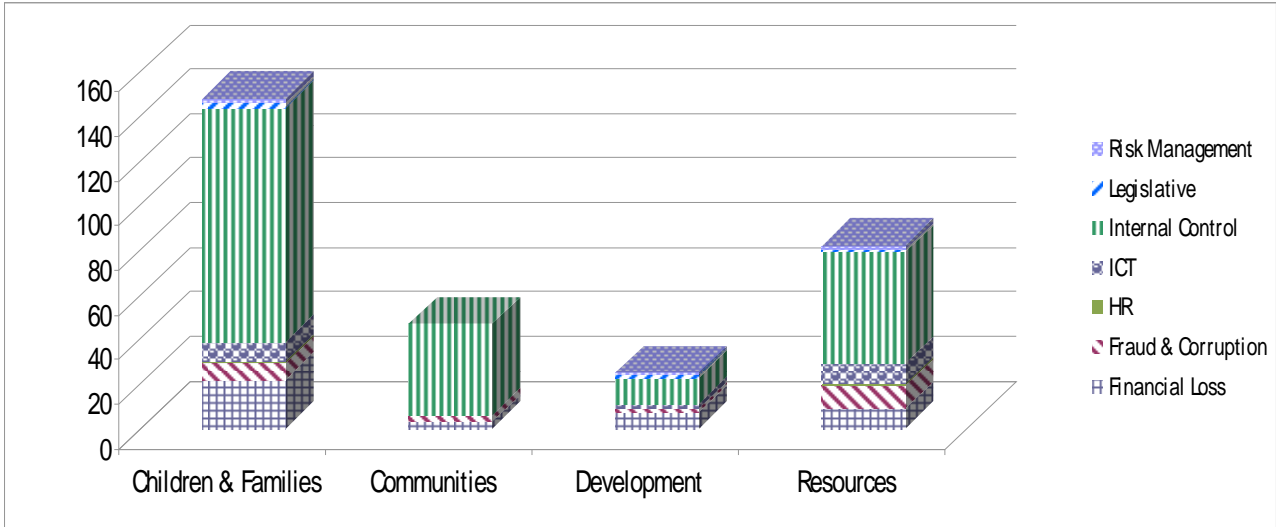
Diagram 4: Risk Themes



Diagrams 4 and 5 show that the main areas of weaknesses found were in the operation of internal controls., and that a similar pattern exists across departments. The recommendations made to address the issues underpinning the themes

strengthen the control environment and help the Council use its resources in the most appropriate way to achieve its objectives.

Diagram 5: Analysis of risk themes by department



Opinion

2012/13 saw significant challenges and risks experienced by the Council, including the development of a significant partnership for the delivery of HR and financial services with Leicestershire County Council (EMSS). The HoIA has continuously reviewed these risks and allocated resources where necessary, in order to deliver the assurance embodied in the Audit Plan.

The HoIA has conducted a review of all IA reports issued in 2012/13, external sources of assurance given by independent review bodies and internal assurances from Corporate Directors and key colleagues in respect of measures in place to identify and control key risks to the Council’s objectives.

In conclusion, although no systems of control can provide absolute assurance, nor can IA give that assurance, on the basis of the audit work undertaken during the 2012/13 financial year, there have been no significant issues (as defined in the CIPFA Code of Practice) reported by IA. Furthermore, on the basis of the audit work undertaken during the 2012/13 financial year, covering financial systems, risk and governance, the HoIA is able to conclude that a reasonable level of assurance can be given that the internal control system is operating effectively within the Council, its significant partners and associated groups.

6 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

None

7 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- Accounts and Audit Regulations 2011
- Audit Plan 2012/13
- CIPFA SOLACE Delivering Good Governance in Local Government
- Public Sector Internal Audit Standards 2012

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List of Appendices

- Appendix 1** List of all reports issued during 1st January 2013 to 31 March 2013 with analysis of recommendations by risk
- Appendix 2** List of final Audit reports issued 1st January 2013 to 31 March 2013
- Appendix 3** List of all reports issued during 2012/13 with analysis of recommendations by risk
- Appendix 4** Internal Audit Plan Outturn 2012/13
- Appendix 5** Internal Audit Charter 2013

Appendix 1

All reports issued in Q4 with Analysis of Recommendations by risk

Audit	Scope	Level of Assurance	Recommendations				Action Ref (Report Ref)
			High	Medium	Low		
Creditors (AP)	<p>The agreed scope of the audit focused on the following aspects of the system.</p> <ul style="list-style-type: none"> • The entry of invoices onto OneWorld • Authorisation of payments • Controls surrounding the payment runs • Control over the movement of cheques • Completion of the VAT returns <p>The accounts payable function of the City Council was transferred to East Midlands Shared Services on 1st September 2012. The operation of EMSS services and their internal controls have not been within the scope of this audit and only</p>	Significant	1	0	0	A0831 (01)	The responsibility for the order and storage of blank cheques cannot lie with the Banking Team due to their reconciliation of banking records; therefore, City Council management should make an urgent decision on who will take responsibility for this area.

Audit	Scope	Level of Assurance	Recommendations				Action Ref (Report Ref)
			High	Medium	Low		
	transactions up to 31 st August have been considered.						
Main Accounting	<p>The first objective of this review is to ensure there are adequate and appropriate controls in place to mitigate the main risks set out above.</p> <p>We will also look to update our documentation of the current processes commenced in previous audits.</p> <p>The audit review will look at the work carried out by the central finance team, the supporting processes carried out by the central OneWorld team in respect of ledger and interface integrity monitoring and the processes operated by departmental finance staff in respect of journal input. All testing will be carried out on transactions input for the 2012/13 financial year.</p>	High	1	0	0	A0853	<p>Any IT feeder system interfaced with the council's main accounting system should be checked, authorised and certified at the appropriate levels to allow the interface file to be loaded and the payments released. Given the size of the total value of payments to be released this will often require certification at Director level and should any service area wish to delegate this down, an appropriate scheme of delegation will be required.</p>

Audit	Scope	Level of Assurance	Recommendations				Action Ref (Report Ref)
			High	Medium	Low		
Capital	<p>The agreed scope of this review was to consider the following aspects of the system:</p> <ul style="list-style-type: none"> • Review of the process to arrive at the Programme to ensure transparency, that approvals have been obtained and that the Programme supports corporate aims. • Review the corporate framework for managing and monitoring capital projects. • Review the programme of reporting to the Project Health Board (PHB) and Corporate Delivery Board (CDB) on capital projects. • Review the processes for reporting on capital spend against the Programme. • Confirm the operation and effectiveness of any other key controls and follow-up of any issues previously reported. 	High	1	1	1	A0904 (01)	<p>In line with Financial Regulations (Paragraph A.11) a Capital Strategy should be put in place and should be linked with other key documents such as an Asset Management Plan. Along with the Strategic Choices process this should ensure that the Council's Capital Programme is developed in line with current plans and available resources. The new Capital Strategy should require reporting of approvals to the capital accounting team and this would ensure that projects are entered onto the Programme in a timely fashion.</p>

Audit	Scope	Level of Assurance	Recommendations				Action Ref (Report Ref)
			High	Medium	Low		
Foster Care & Adoption	<p>The agreed scope of the audit focused on the following aspects of the system.</p> <ul style="list-style-type: none"> • Follow up of previous recommendations – There were no new recommendation made as part of this review. • Payments made to foster carers and adopters • Recovery of Car Loans • Debt recovery where overpayments have been generated 	Limited	6	5	1	A0536 (03)	<p>The service should design and commission additional reports from the Foster Care/Adoption System in order to better understand and profile expenditure, supporting more accurate budgeting and budget monitoring.</p> <p>As part of a wider programme of system amendments, reports to manage means tested allowance reviews should be commissioned from IT.</p> <p>Two reports might be necessary based on the same data.</p> <ul style="list-style-type: none"> • The first would be a workload summary showing the number and type of allowances with review dates
						A0539 (06)	

Audit	Scope	Level of Assurance	Recommendations						
			High	Medium	Low	Action Ref (Report Ref)			
			Foster Care & Adoption (cont)						<p>grouped by month including groups for blank dates and historic dates.</p> <ul style="list-style-type: none"> The second would show the carer, child and allowances falling due for review within a particular selected month/period and might also show other children and allowances and date due for review for those carers. The reports would allow means tested allowance reviews workload to be assessed and managed enabling compliance with legislation. <p>A further report might show adjustments to non-reviewed allowances such as fostering, which would help to assess workload.</p>

Audit	Scope	Level of Assurance	Recommendations				Action Ref (Report Ref)	Ensure that a planned approach to implement solutions to minimise the risks from both internal and external threats over the whole IT estate on an ongoing basis is adopted. Strengthen the arrangements for issuing temporary passes to Loxley House, particularly in relation to staff that have recently left Council employment and those that have 'forgotten' their passes.
			High	Medium	Low			
Logical Security – Follow-up	We have followed up the progress made to address the recommendations made in our March 2012	Significant	2	0	0	A0948 (2013 /01)		
Password Administration – Follow-up	A report was issued in March 2012 giving limited assurance and made eight recommendations for improvement. We have reviewed the progress made to address the recommendations	Limited	3	2	1	A0945 (2013 /01)	All passwords should be set to expire after 60 days in line with the current policy. Adopt the Security Policy.	

Audit	Scope	Level of Assurance	Recommendations				Action Ref (Report Ref)	Responsible Division :Revenues, benefits & Welfare Rights)
			High	Medium	Low	Low		
<p>Password Administration – Follow-up (cont.)</p>						<p>A0900 (2012 /08)</p>	<p>Ensure the software planned to uniquely identify those using 'Admin' accounts and reduce the number of people with access to such accounts in introduced at an early date.</p>	
<p>Personal Budgets</p>	<p>As part of our ongoing review of areas considered to be at risk of fraud, we have undertaken a review of the arrangements in place to monitor Direct Payments made to citizens.</p>	<p>Limited</p>	<p>4</p>	<p>9</p>	<p>0</p>	<p>A0733 (01)</p>	<p>In order to reduce the number of nil returns and enable a focus upon the most high risk citizens, the council should move to a system of monitoring of Direct Payments based upon a risk assessment of the citizen. It is recognised that this will be a complex matter and it is recommended that the first step should be to agree a risk assessment framework.</p>	

Audit	Scope	Level of Assurance	Recommendations				Action Ref (Report Ref)
			High	Medium	Low		
Personal Budgets (cont.)						A0850 (05)	(Responsible Division :Family and Community Teams) Both Direct Payment teams should immediately institute systems to record and report cases of misuse of funds. The systems should record the value of any potential misuse, the actions taken to investigate the misuse and how much has been recovered, if applicable. The reported cases should be notified to Internal Audit on a monthly basis together with their outcomes.
Recruitment Fraud & Safeguarding	The scope of this audit covered the following aspects of the recruitment process: <ul style="list-style-type: none"> Review of the recruitment processes to ensure compliance with sound safeguarding principles through the application of Criminal Records Bureau checks at point of service entry for posts that involve contact with young or vulnerable service users. Review of recruitment processes 	Limited	8	2	0	A0680 (01)	More care needs to be taken in the maintenance and filing of personal files.

Audit	Scope	Level of Assurance	Recommendations			
			High	Medium	Low	Action Ref (Report Ref)
Recruitment Fraud & Safeguarding (cont)	<p>to ensure that UK residence and right to work is established for all new colleagues.</p> <ul style="list-style-type: none"> • Review of reference and qualification checking processes for new appointments. • Review of personal file administration and record keeping processes to ensure that these support the Council in demonstrating its compliance with safeguarding policies and alignment with best practise principles. • The application of processes to reduce the Council's exposure to fraud when recruiting to positions where the nature of the position poses a risk in accordance with the Counter Fraud Strategy. 					

Audit	Scope	Level of Assurance	Recommendations			
			High	Medium	Low	Action Ref (Report Ref)
Recruitment Fraud & Safeguarding (cont.)						<p>More care needs to be taken to ensure that all recruitment documentation is recorded on Castle. Perhaps Castle can be developed to hold a screen, equivalent to the manual checklist, under each employee and this could be used to record the capture of each of the required documents.</p>
						<p>A0681 (02)</p>
						<p>A0682 (03)</p>
						<p>A0683 (04)</p>
					<p>HR should insist CRB checks are carried out for all recruitments that are covered by safeguarding policies.</p>	
					<p>More care in this aspect of personal file administration needs to be taken. Confirmation of entitlement in the 5 cases should be sought and placed on file.</p>	
					<p>Casual recruitments should still have a central personal file created and these should hold sufficient information to support CRB clearance, residency and referencing checks.</p>	
					<p>A0684 (05)</p>	

Audit	Scope	Level of Assurance	Recommendations				Action Ref (Report Ref)
			High	Medium	Low		
Right to Buy	<p>The objective of this review is to identify and assess the controls in place within the system and to provide management with an independent opinion of the effectiveness of these controls.</p> <p>The scope of this review will look at the following aspects of the system:</p> <ul style="list-style-type: none"> • Compliance with legislation & Council policy • The calculation and approval of the Right To Buy application • The adequacy of information verification & supporting documentation • The completion process • The recovery process 	Significant	1	4	2	A0819	Each award of RTB discount should be appropriately certified to comply with the Council's Corporate Financial Procedures

Audit	Scope	Level of Assurance	Recommendations				Action Ref (Report Ref)
			High	Medium	Low		
Seagrave Primary School	<p>The purpose of this review was to assess the standard of financial management operating within the school. The following areas were examined during the course of the audit :</p> <ul style="list-style-type: none"> • Leadership & Governance • People Management • Policy & Strategy • Processes • Purchasing • Invoice Processing • Banking Arrangements • School Fund 	Significant	2	5	2	A0922 (08)	<p>For all purchases over £1,000, the school should obtain at least 3 alternative quotations. For any purchases above £3,000, these should be considered by the Finance and Personnel Committee before deciding which supplier to award the contract to. This should be documented in the Governors' minutes.</p> <p>Suppliers of goods and services to the school who are used exclusively should have their prices benchmarked against other suppliers on a regular basis to ensure that value for money is being received.</p>

Audit	Scope	Level of Assurance	Recommendations				Action Ref (Report Ref)
			High	Medium	Low		
Seely Junior School	<p>The purpose of this review was to assess the standard of financial management operating within the school. The following areas were examined during the course of the audit :</p> <ul style="list-style-type: none"> • Leadership & Governance • People Management • Policy & Strategy • Processes • Purchasing • Invoice Processing • Banking Arrangements 	Limited	3	3	6	A0963 (07)	<p>Alternative quotations should be obtained for all purchases between £1,000 and £5,000 in value made by the school and a record should be retained of all such quotations as evidence that value for money has been obtained. If alternative quotations can not be obtained, the school should provide details of the firms they have tried to contact.</p>

Audit	Scope	Level of Assurance	Recommendations			
			High	Medium	Low	Action Ref (Report Ref)
Seely Junior School (cont.)						<p>A0964 (08)</p> <p>A0967 (11)</p> <p>Official order forms, signed by the Head Teacher or other authorised member of staff, should be issued to suppliers for goods and services being purchased by the school. Where orders are sent by fax, the terms and conditions of the order should also be faxed.</p> <p>Goods or services received should be reconciled to the original order made and the order marked as evidence. The school should then ensure that before an invoice is paid a check is made to ensure that the goods or services have been received.</p>

Appendix 2

Final Audit reports issued 1st January to 31st March 2013

Department	Division	Audit	Assurance level	Recommendations Accepted			
				High	Medium	Low	
Children & Families	Adult Social Care Assessment	Personal Budgets	Limited	4	9	0	
	Adult Social Care Assessment Total			4	9	0	
	Children in Care	Foster Care & Adoption	Limited	6	5	1	
	Children in Care Total			6	5	1	
	Quality & Commissioning	Supporting People 2012	Significant	0	0	1	
	Quality & Commissioning Total			0	0	1	
	Schools & Learning	Seagrave Primary School	Significant	2	5	2	
		Seely Junior School	Limited	3	3	6	
	Schools & Learning Total			5	8	8	
	Children & Families Total			15	22	10	
	Resources	HR & Organisational Transformation	Recruitment Fraud & Safeguarding	Limited	8	2	0
			HR & Organisational Transformation Total			8	2
		Information Technology	Logical Security - Follow-up	Significant	2	0	0
Password Administration - Follow-up			Limited	3	2	1	
Information Technology Total			5	2	1		
Legal & Democratic Services		Right to Buy	Significant	1	4	2	
		Councillors Expenses	High	0	0	0	
Legal & Democratic Services Total			1	4	2		
Strategic Finance		CTAX 2012	Significant	0	1	1	
		NINDR 2012	Significant	0	1	0	
		Treasury Management	High	0	0	1	

Department	Division	Audit	Assurance level	Recommendations Accepted		
				High	Medium	Low
		Creditors (AP)	Significant	1	0	1
		Adult Residential Services	High	0	0	0
		Budgetary Control	Significant	0	1	0
		Main Accounting	High	1	0	0
		Capital	High	1	1	1
Strategic Finance Total				3	4	4
Resources Total				17	12	7
Grand Total				32	34	17

All Audit reports issued 2012/13 with analysis of recommendations by risk

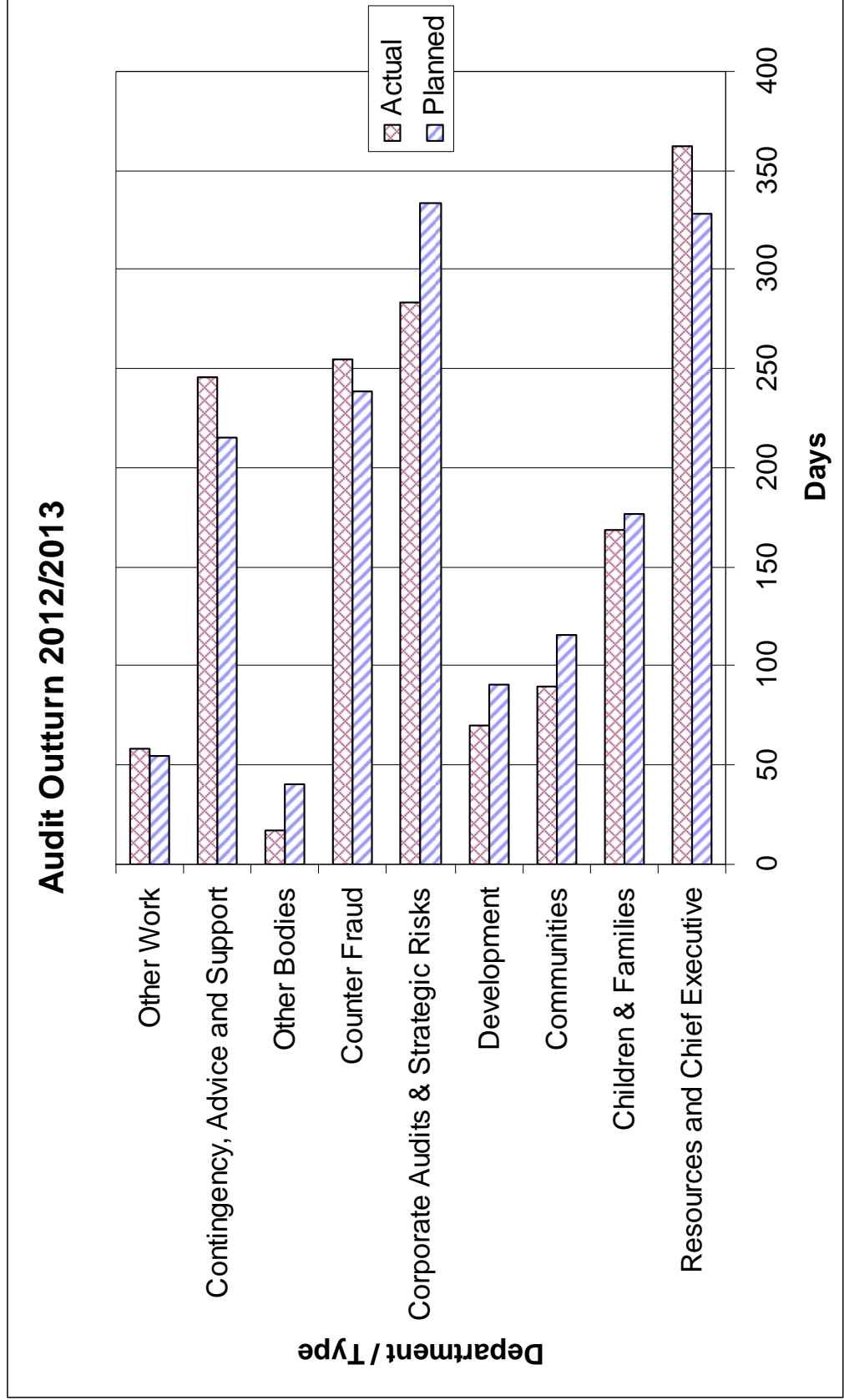
Department	Division	Audit	Assurance level	Recommendations Accepted			
				High	Medium	Low	
Children & Families	Adult Social Care Assessment	Deputyship - Safeguarding 2011-12	Limited	1	2	4	
		Personal Budgets	Limited	4	9	0	
	Adult Social Care Assessment Total		5	11	4		
	Children in Care	Foster Care & Adoption	Limited	6	5	1	
		Children in Care Total		6	5	1	
	Family & Community Teams	Disabilities Team	Limited	7	5	2	
		Family & Community Teams Total		7	5	2	
	Quality & Commissioning	Commissioning and Procurement	Limited	2	3	0	
		Supporting People 2012-13	Significant	0	0	1	
	Quality & Commissioning Total			2	3	1	
	Schools & Learning	Westbury School		Significant	5	0	0
		Snape Wood Primary School		Significant	6	0	0
		Firbeck Primary & Nursery School		Significant	0	2	0
		Springfield Primary		Significant	4	7	0
		Glapton Primary		Limited	3	3	0
		Forest Fields Primary School		Significant	1	0	0
		Bentinck Primary School		Significant	2	0	1
		Robert Shaw Primary School		Significant	5	1	0
		Carrington Primary and Nursery		Significant	5	0	1
		William Booth Primary		Significant	6	0	1

Department	Division	Audit	Assurance level	Recommendations Accepted			
				High	Medium	Low	
		Middleton Primary School	Significant	3	0	0	
		Henry Whipple Primary School	Significant	3	0	0	
		Burford Primary	High	0	0	2	
		Melbury Primary	High	0	0	0	
		Edale Rise Primary	Significant	2	2	1	
		Rise Park Primary	Significant	1	1	3	
		Riverside Primary	Significant	1	3	0	
		Seagrave Primary School	Significant	2	5	2	
		Seely Junior School	Limited	3	3	6	
		Schools & Learning Total		52	27	17	
		Children & Families Total		72	51	25	
Communities	Neighbourhood Services	Waste Management 2011-12	Limited	6	11	0	
		Parking Services Follow Up	Limited	10	5	0	
		Workplace Parking Levy	Limited	1	0	0	
		Vehicle Fuelling	Limited	4	2	0	
			Neighbourhood Services Total		21	18	0
	Sports, Culture & Parks	External Grants old year	Limited	0	6	2	
				Sports, Culture & Parks Total	0	6	2
			Communities Total		21	24	2
	Development	City Planning	Growth Point	High	0	0	0
			City Planning Total		0	0	0
Economic Innovation & Skills		Nottingham Jobs Fund 2011-12	Significant	0	3	3	
		Economic Innovation & Skills Total		0	3	3	
	Property Services	Corporate Maintenance Framework	No Assurance	12	6	1	

Department	Division	Audit	Assurance level	Recommendations Accepted		
				High	Medium	Low
	Property Services Total			12	6	1
	Development Total			12	9	4
NCC Corporate	Strategic Risk	SR3 Old Year	Significant	0	0	0
	Strategic Risk Total			0	0	0
	NCC Corporate Total			0	0	0
Resources	HR & Organisational Transformation	Recruitment Fraud & Safeguarding	Limited	8	2	0
		Proactive CF - Creditors-Payroll	Counter Fraud	0	1	0
		Payroll Overpayments	Limited	9	3	0
	HR & Organisational Transformation Total			17	6	0
	Information Technology	Logical Security - Follow-up	Significant	2	0	0
		Password Administration - Follow-up	Limited	3	2	1
	Information Technology Total			5	2	1
	Legal & Democratic Services	Right to Buy	Significant	1	4	2
		Councillors Expenses 2012-13	High	0	0	0
		Councillors expenses 2011-12	Significant	0	4	3
	Legal & Democratic Services Total			1	8	5
	Strategic Finance	Housing Benefits (System Set Up)	Limited	1	0	1
		Housing Benefits	Limited	2	0	2
		CTAX 2012	Significant	0	1	1
		NNDR 2012	Significant	0	1	0
		Procurement	Limited	7	1	0
		Sundry Income 2011-12	Limited	1	3	1
		Sundry Income 2012 - 13	Limited	2	0	1

Department	Division	Audit	Assurance level	Recommendations Accepted		
				High	Medium	Low
		Treasury Management	High	0	0	1
		Estate Rents	High	0	0	0
		Bank Reconciliation	High	0	0	0
		Creditors (AP)	Significant	1	0	1
		Cash Collection 2012-13	High	0	0	0
		Adult Residential Services	High	0	0	0
		Budgetary Control	Significant	0	1	0
		Main Accounting	High	1	0	0
		Capital	High	1	1	1
		Procurement Consultants	Limited	0	4	0
		Strategic Finance Total		16	12	9
		Resources Total		39	28	15
		Grand Total		144	112	46

2012/13 INTERNAL AUDIT PLAN OUTTURN



Nottingham City Council – Internal Audit Charter

Introduction

The Public Sector Internal Audit Standards define Internal Audit as “...an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

Independence

A key factor in the effectiveness of Internal Audit is that it is seen to be independent. To ensure this independence, Internal Audit operates within a framework that allows:

- Unrestricted access to senior management
- Reporting in its own name
- Segregation from line operations.

Every effort will be made to preserve the objectivity of the service by ensuring that all audit colleagues are free from any conflicts of interest and do not undertake any non-audit related duties. Registers of Interest/gifts will be maintained in accord with corporate best practice.

Objectives

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner. Internal Audit’s mission is:

“To provide a cost effective, independent, professional and high quality audit service which supports managerial objectives by promoting the highest levels of financial management and probity across the Authority”.

In so doing the service aims to support the effectiveness of the risk management, control and governance processes within the City Council and its significant partners

Scope

Internal Audit will review and investigate the areas of key risk to the Council’s objectives across the entire range of its activities. In order to fulfil this role the service requires unrestricted access to all the colleagues, records and assets of the Council and/or its partners. Council colleagues are required by the Head of Internal Audit to ensure permission to access records is incorporated in formal agreements setting up partnership arrangements or other arrangements with other third parties.

In addition, the Head of Internal Audit has unrestricted access to the Chief Executive, Councillors, Corporate Directors and all employees of the City Council and its partners.

Each audit or piece of work undertaken will have a clear scope and objectives. Any audit undertaken within the Council and its partners will be conducted under the framework of an agreed audit programme, service level agreement or a clearly defined letter of engagement. This is of particular importance in the management of consultancy where the respective roles, inputs and outputs will be clearly defined and the independence of auditors maintained. Internal Audit work will be co-ordinated with that of external review agencies to provide maximum audit coverage and to prevent duplication of effort where practical.

Responsibility

The main areas of Internal Audit responsibility within the Council will be to:

1. Review, appraise and report on:
 - the soundness, adequacy and application of internal controls as a contribution to the proper control of risk and the economic, efficient and effective use of resources
 - the suitability and reliability of financial and other management data, including aspects of performance measurement
 - The extent to which the assets and interests are accounted for and safeguarded from loss.
2. Aid Corporate Directors in the investigation of fraud and irregularity as prescribed in the Council's Fraud Response Plan and to develop and implement the Council's Counter Fraud Strategy.
3. Managing the risk of fraud and corruption is the responsibility of management, but the Head of Internal Audit must be informed of any instances to inform his/her opinion on the control environment and to help determine the resources required to manage the associated risks.
4. Advise on the internal control implications of new systems.

Audit Style and Content

The Head of Internal Audit is required to manage the provision of a complete audit service to the Authority which includes risk based, system and ICT audits. In discharge of this duty, the Head of Internal Audit will prepare a rolling strategic risk-based Audit Plan.

Work Planning

The Head of Internal Audit will produce and maintain a Strategic Plan and an annual operational Audit Plan. These plans will be derived from a comprehensive risk model and after consultation with Corporate Directors. The plans will be presented annually to the Audit Committee and will aim to:

- Support the Responsible Officer in the discharge of the Section 151 duty.
- Contribute to and support the Council's objectives of providing sound financial systems and governance arrangements.

- Provide recommendations and findings designed to enhance the reliability and accuracy of the Annual Governance Statement, financial statements and other published information.

Location

Internal Audit is located within the Resources Department and based in Loxley House, but operates throughout the Council.

Standards

Internal Audit colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. The Head of Internal Audit will report any significant instances of non-conformance with these codes and standards to the Audit Committee.

The service has internal quality procedures in place and is ISO9002 accredited. It has adopted the principles contained in the Public Sector Internal Audit Standards 2012 and has fulfilled the requirements of the Account and Audit Regulations 2011 and associated regulations in respect of the provision of an Internal Audit service.

Audit Resources

The Head of Internal Audit will be a CCAB qualified Accountant who will ensure that there are adequate resources available to complete the Audit Plan including appropriate contingencies and to help deliver the opinions required. The Head of Internal Audit will assess the available skills and competencies necessary for the audits planned and to produce annual evidence based opinion. Where a gap is identified action will be taken to procure the required resource.

Recruitment and procurement will be designed to ensure appropriate resources are put in place in a timely manner to develop audit plans are kept to. The Head of Internal Audit will follow the Council's corporate policies and procedures when procuring such resources.

The establishment will comprise of suitably professionally qualified colleagues including accountants, technicians and other specialists necessary to resource the varied demands placed upon the service.

Audit Training

The Head of Internal Audit will use the Council's Performance Appraisal programme to assess the skills and competencies of the audit colleagues and develop appropriate Training & Development Plans to ensure audit resources are adequate to fulfil the required audit need. The Head of Internal Audit will carry out a continuous review of the development and training needs of all audit personnel and will arrange in-service training including: courses, work experience, coaching, mentoring and other relevant development opportunities.

Audit Reporting

Strategic Reporting

In accordance with the PSIAS, the responsibility for the management of Internal Audit is set with the Board. In practical terms this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City council. The section 151 Officer will give operational direction whilst reports covering Strategic and Assurance issues will be presented to the Audit Committee. The Head of Internal Audit, whilst maintaining operational independence, will:

- Regularly meet with and update the Council's Chief Finance Officer (CFO) (S151 Officer) who is a member of the Council's Corporate Leadership Team. The CFO will continuously review the performance and effectiveness of the service.
- Normally report directly to the Council's Director of Strategic Finance. However, where actual or potential conflict of interests are present the Head of Internal Audit may choose to report to the CFO, Chief Executive, Monitoring Officer, Leader of the Council or external agency at his/her discretion.
- Present performance reports to the Audit Committee.
- Provide an annual opinion to the Audit Committee on the status of the Council's entire control environment as informed by Audit work and reference to other internal and external assurance mechanisms available.

Operational Reporting

Reports will be In accordance with PSIAS and will be distributed to those responsible for governance in the areas audited. In the course of an audit, a draft report will be sent to the manager(s) responsible for the area under review for agreement to the factual accuracy of the findings. The final report will be issued to the Corporate Director or other responsible party or their nominated representatives and copied to the appropriate managers and or service directors with an appropriate agreed action plan included.

In event of disagreement the Head of Internal Audit will consult with the client managers responsible and will if necessary with the section 151 Officer and or Chief Executive. Ultimately if agreement cannot be reached the Head of Internal Audit may reflect the fact in the final report. Copies of all final reports and supporting working papers will be retained electronically where possible and will be in accordance with corporate policies for document retention,

The responsibility for the implementation of agreed recommendations lies with the auditee. Recommendations will be followed up at the next review at the very least or before, depending on the level of associated risk. A copy of the report will also be sent to the Head of Service, Director, Corporate Director, CFO and if necessary the Director of Strategic Finance and Corporate Director for Resources. Currently the Director of Strategic Finance is also the acting CFO and S151 Officer.

Where appropriate, recommendations will be fed into the corporate improvement programme and brought before Departmental Management Teams for action, and follow up of the recommendations.

On completion of audits a customer satisfaction survey will be undertaken to give feedback on performance and to facilitate continuous performance improvement. The results of these surveys will be included in the service's key performance indicators.

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