

REPORT OF DIRECTOR OF STRATEGIC FINANCE

INTERNAL AUDIT HALF-YEAR REPORT 2013/14 - 1ST APRIL - 30TH SEPTEMBER 2013

1 PURPOSE OF THE REPORT

This report outlines the work of the Internal Audit service (IA) for the first half of 2013/14.

2 RECOMMENDATIONS

The Committee:

- 2.1 Notes and gives its views on the performance of IA during the period.
- 2.2 Selects up to two audits from **Appendix 1** for examination at the 28 February 2014 meeting.

3 REASONS FOR CONSIDERATION

The Audit Committee's terms of reference include responsibility for receiving reports on the work undertaken by IA and for monitoring its performance. The Public Sector Internal Audit Standards (PSIAS) set the responsibility for the management of Internal Audit 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. This report is one of the regular updates on work undertaken by the service and the Audit Committee is invited to consider and comment on:

- The performance of the IA service against the annual plan in terms of number of days and the balance and mix of the work.
- The nature, scope and quality of the work undertaken.
- The performance indicator results, including whether these indicators are appropriate and the targets sufficiently stretching.

4 OVERVIEW OF WORK UNDERTAKEN

- **Appendix 1** - List of final audit reports issued in the period with analysis of recommendations and level of assurance
- **Appendix 2** - Summary of related audit reports completed in the period with high risk recommendations and level of assurance
- **Appendix 3** - Overview of the work completed to date against the updated Audit Plan

4.1 Standards

The service works to a Charter 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.

4.2 Local Performance Indicators (PIs)

Performance against all PIs is illustrated in **Table 1**.

| Table 1 : Performance v PI Targets at Quarter 2 | | | | | |
|--|---|---------------|----------------------|--------------------|------------------------|
| Indicator | | Target | April to Sept | Actual Year | Comments |
| 1 | % of all recommendations accepted. | 95% | 99% | 99% | On target |
| 2 | % of high recommendations accepted. | 100% | 100% | 100% | On Target |
| 3 | Average number of working days from draft agreed to the issue of the final report | 8 days | 4 days | 4 days | Above target |
| 4 | Number of key / high risk systems reviewed. | 15 systems | 0 | 0 | On target for year end |
| 5 | % of staff receiving at least three days training per year. | 100% | 30% | 30% | On target for year end |
| 6 | % of customer feedback indicating good or excellent service. | 85% | 89% | 89% | Above target |

4.3 Activity

Table 2 shows that actual days achieved are in line with planned days set out in the updated Audit Plan and **Appendix 3** shows progress against the individual audits. In summary, after allowance for seasonal work patterns, the plan is on target.

| TABLE 2: ACTUAL v PLANNED AUDIT DAYS | | | |
|---|---------------------|-----------------------|--|
| Total Planned Days | Planned Days | Actual to date | Comments |
| 1540 | 726 | 682 | Variance due to Easter and Summer holidays. On track for year end. |

Table 3 shows that in the year to date, acceptance of recommendations is above the target of 95% for all recommendations and is acceptable for high recommendations (100%).

| TABLE 3: RECOMMENDATIONS ACCEPTED 01/04/13 to 30/09/13 | | | | |
|---|----------------|-------------|--------------------------------|-------------|
| | 2013/14 | | April to September 2013 | |
| | All | High | All | High |
| Total recommendations made | 189 | 65 | 189 | 65 |
| Rejected | 2 | 0 | 2 | 0 |
| Total recommendations accepted | 187 | 65 | 187 | 65 |
| % accepted | 99% | 100% | 99% | 100% |

Resources

The net budget for the service is £319,799. The predicted service outturn is in accordance with the budget.

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

None

6. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- Accounts and Audit Regulations 2011
- Audit Plan 2013/14
- Public Sector Internal Audit Standards 2012

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Final Audit Reports Issued at Quarter 2 2013

This list excludes any reports concerning irregularities

| Department | Division | Audit | Level of Assurance | Recommendations accepted | | | Grand Total |
|--|---|-----------------------------------|--|--------------------------|-----------|------------|-------------|
| | | | | High | Medium | Low | |
| Children & Families | | Big Wood Secondary School 2014 | Significant Assurance | 4 | 2 | 4 | 10 |
| | | Builwell St Marys | Limited Assurance | 2 | 6 | 3 | 11 |
| | | Claremont Primary | Significant Assurance | 1 | 3 | 2 | 6 |
| | | Dovecote Primary School 2014 | Limited Assurance | 6 | 8 | 2 | 16 |
| | | Greenfields Community School 2014 | Significant Assurance | 2 | 3 | 0 | 5 |
| | | Heathfield Primary School 2014 | Significant Assurance | 0 | 0 | 0 | 0 |
| | | Radford Primary School 2014 | Significant Assurance | 1 | 2 | 1 | 4 |
| | | Robin Hood Primary School 2014 | High Assurance | 0 | 3 | 0 | 3 |
| | | Rosehill Special School 2014 | Significant Assurance | 2 | 7 | 5 | 14 |
| | | Rosslyn Park Primary School 2014 | High Assurance | 0 | 2 | 2 | 4 |
| | | Rufford Primary School | Significant Assurance | 1 | 1 | 2 | 4 |
| | | Southglade Primary School 2014 | Significant Assurance | 1 | 3 | 1 | 5 |
| | | Southwold Primary | Significant Assurance | 2 | 5 | 3 | 10 |
| | | Welbeck Primary School 2014 | Significant Assurance | 0 | 2 | 0 | 2 |
| | | Whitegate Primary School 2014 | Significant Assurance | 3 | 2 | 2 | 7 |
| | | Woodlands Special School 2014 | Significant Assurance | 3 | 5 | 1 | 9 |
| Children & Families Total | | | 28 | 54 | 28 | 110 | |
| Adult Social Care Provision & Health Integration | | Residential Services Payroll 2014 | Briefing Note – No level of assurance provided | 6 | 0 | 0 | 6 |
| | Adult Social Care Provision & Health Integration Total | | | 6 | 0 | 0 | 6 |
| Communities | | CRC Commitment 2014 | Significant Assurance | 0 | 4 | 2 | 6 |
| | | Fleet Management Follow Up | Limited Assurance | 4 | 2 | 0 | 6 |
| | Neighbourhood Services Total | | | 4 | 6 | 2 | 12 |
| Sports, Culture & Parks | | Markets & Fairs 2014 | Significant Assurance | 3 | 1 | 2 | 6 |
| | Sports, Culture & Parks Total | | | 3 | 1 | 2 | 6 |
| Communities Total | | | 13 | 7 | 4 | 24 | |
| Audit of Charities and other Accounts | | Highfields & Harvey Hadden 2014 | Certification of the Accounts | 0 | 0 | 0 | 0 |
| | Audit of Charities and other Accounts Total | | | 0 | 0 | 0 | 0 |

| Department | Division | Audit | Level of Assurance | Recommendations accepted | | | |
|--|---|---------------------------------|-----------------------|--------------------------|-----------|-----------|-------------|
| | | | | High | Medium | Low | Grand Total |
| Audit of Charities and other Accounts Total | | | | | | | |
| | City Planning | Housing Rents | Limited Assurance | 2 | 7 | 1 | 10 |
| | City Planning Total | | | 2 | 7 | 1 | 10 |
| Development | Planning & Transport Strategy | Growth Point 2014 | High Assurance | 0 | 0 | 0 | 0 |
| | Planning & Transport Strategy Total | | | 0 | 0 | 0 | 0 |
| | Property Services | Asset Management Follow Up 2014 | Limited Assurance | 1 | 1 | 1 | 3 |
| | | Corporate Maintenance Framework | Limited Assurance | 12 | 6 | 1 | 19 |
| Proactive CF - Investment Properties | | Limited Assurance | 2 | 5 | 0 | 7 | |
| | Property Services Total | | | 15 | 12 | 2 | 29 |
| Development Total | | | | 17 | 19 | 3 | 39 |
| Resources | HR & Organisational Transformation | Payroll | Significant Assurance | 2 | 1 | 0 | 3 |
| | | Pensions | Significant Assurance | 5 | 8 | 0 | 12 |
| | HR & Organisational Transformation Total | | | 7 | 9 | 0 | 15 |
| Resources Total | | | | 7 | 9 | 0 | 16 |
| Grand Total | | | | 65 | 89 | 35 | 189 |

APPENDIX 2

High Priority recommendations issued to end of Quarter 2

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|-------------------|--|-----------------------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| Claremont Primary | <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 <p>Petty Cash</p> | Significant Assurance | A0991 (03) | For all purchases over £5,000, the school should obtain at least 3 alternative quotations. These should be considered by the Finance and General Purposes Committee before deciding which supplier to award the contract to. This should be documented in the Governors minutes. | 1 | 3 | 2 |
| Bulwell St Marys | <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 | Limited Assurance | A0970 (01) | The school should ensure that detailed minutes are taken at each of the Governors' committee meetings. The approval of policies and key decisions made by the Governors should be clearly recorded in the relevant meeting minutes. In addition, declarations of interest | 2 | 6 | 3 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|---------------------------------|---|-----------------------|----------------------------|---|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | <ul style="list-style-type: none"> • Processes • Purchasing • Processing Purchase Invoices • Banking Arrangements • School Fund | | | <p>should be prompted at all committee meetings by including this as a separate agenda item. Evidence of this item being raised and any resulting declaration of interest should be recorded in the minutes.</p> | | | |
| | | | A0978 (06) | <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.</p> <p>If alternative quotations can not be obtained, the school should provide details of the firms they have tried to contact.</p> | | | |
| Rosehill Special School 2014 | <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 | Significant Assurance | A1009 (06) | <p>Prior authorisation of any work undertaken by contracted supply staff and any additional time worked should be provided by the Head Teacher or other designated senior member of staff. In addition, the spreadsheet submitted to Payroll should be printed off and signed by the Head Teacher or other duly authorised senior member of staff. This will provide subsequent authority to any work undertaken for which prior approval could not be given.</p> | 2 | 7 | 5 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|------------------------|--|-----------------------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | <ul style="list-style-type: none"> • Invoice Processing • Banking Arrangements • Petty Cash • School Fund • Inventory | | | | | | |
| | | | A1010 (06) | For all purchases over £1,000, the school should obtain alternative quotations. These should be considered by the Executive Committee before deciding which supplier to award the contract to. This should be documented in the Governors minutes. | | | |
| Rufford 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 : Leadership & Governance</p> <ul style="list-style-type: none"> • People Management • Policy & Strategy • Processes • Purchasing • Invoice Processing • Banking Arrangements School Fund | Significant Assurance | A0936 (1) | Alternative quotations should be obtained for all purchases with a value between £1,000 and £5,000 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. | 1 | 1 | 2 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|-----------------------------------|---|-----------------------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| Greenfields Community School 2014 | <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 • Inventory | Significant Assurance | A1064 (01) | The Financial Administration and Control Policy should be presented to Governors to be reaffirmed on an annual basis and this should be recorded in the Governors meeting | 2 | 3 | 0 |
| | | | A1063 (05) | An up to date inventory should be completed to include all portable desirable items within the school. The inventory should be independently checked at least annually. All discrepancies should be investigated to the satisfaction of the Head Teacher or nominated staff member who should sign the inventory as evidence of the annual check. Written authority should be obtained from the | | | |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|-------------------|--|-----------------------|----------------------------|---|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | | | | Governors prior to the disposal of any assets or deletion of items from the inventory. | | | |
| Southwold Primary | <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 Assurance | A0927 (06) | For all purchases over £5,000, the school should obtain at least 3 alternative quotations. These should be considered by the Finance and General Purposes Committee before deciding which supplier to award the contract to. This should be documented in the minutes of the relevant Governors' meeting. | 2 | 5 | 3 |
| | | | A0919 (02) | The school should ensure that detailed minutes are taken at each of the governors' sub-committee meetings. The approval of policies and key decisions made by the governors should be clearly recorded in the relevant meeting minutes. | | | |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|--------------------------------|---|-----------------------|----------------------------|---|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | | | | In addition, declarations of interest should be prompted at all sub-committee meetings by including this as a separate agenda item; evidence of this item being raised and any resulting declaration of interest should be recorded in the minutes. | | | |
| Radford Primary School 2014 | <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 • Inventory | Significant Assurance | A1116 (01) | The approval of policies and key decisions made by the Governors should be clearly recorded in the relevant meeting minutes. | 1 | 2 | 1 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|-------------------------------|--|-----------------------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| Woodlands Special School 2014 | <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 • Petty Cash • Inventory | Significant Assurance | A1121 (01) | The Financial Administration and Control Policy should be presented to Governors to be reaffirmed on an annual basis and this should be recorded in the minutes of the Governors meeting. | 3 | 5 | 1 |
| | | | A1124 (04) | <p>The school should retain evidence that the benchmarking website has been used to:</p> <ul style="list-style-type: none"> • Compare its performance to other schools • Identify areas for improvement and set targets where needed. <p>The findings of the benchmarking activities should be discussed with Governors.</p> | | | |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|------------------------------|---|-------------------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | | | | If the benchmarking website cannot provide enough comparative schools to make the exercise beneficial, an alternative comparison process could be used such as the services of an external company. | | | |
| | | | A1129 (09) | An up to date inventory should be completed to include all portable, desirable items within the school. The inventory should be independently checked at least annually. All discrepancies should be investigated to the satisfaction of the Head Teacher or nominated staff member who should sign the inventory as evidence of the annual check. Written authority should be obtained from the Governors prior to the disposal of any assets, or the deletion of items from the inventory. | | | |
| Dovecote Primary School 2014 | 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 : <ul style="list-style-type: none"> • Leadership & Governance • People Management • Policy & Strategy | Limited Assurance | A1020 (02) | The school should ensure that termly meetings are held for each of the sub-committees and the minutes reported to the full Governing Body for ratification. All financial matters relating to the school should be presented to the governors. This should be recorded in the minutes of the Governors' meeting. | 6 | 8 | 2 |

| Audit Name | Scope | Opinion | Action Ref <i>(Report Ref)</i> | Agreed Action | Recommendations Accepted | | |
|------------|--|---------|-----------------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | <ul style="list-style-type: none"> • Processes • Purchasing • Processing Invoices • Purchase • Banking Arrangements • School Fund • Inventory | | | | | | |
| | | | A1021 (03) | The school should ensure that detailed minutes are taken at each of the governors' committee meetings. The approval of policies and key decisions made by the governors should be clearly recorded in the relevant meeting minutes. | | | |
| | | | A1022 (04) | The SFVS report should be formally presented to the governing body and should be reviewed to ensure that the school's financial controls are adequate. The "Summary of Agreed Remedial Action" should be updated to reflect any weaknesses identified. | | | |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|--------------------------------|---|-----------------------|----------------------------|---|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | | | A1025 (07) | Governors' approval of the school's budget should be recorded in the minutes of the relevant meeting. | | | |
| | | | A1059 (12) | For all purchases over £5,000, the school should obtain at least 3 alternative quotations. These should be considered by the Finance and General Purposes Committee before deciding which supplier to award the contract to. This should be documented in the minutes of the meeting. | | | |
| | | | A1070 (15) | The school should ensure that an auditor is appointed and accounts for the year ending 31 March 2013 are presented to them for auditing. The school fund bank reconciliations should be undertaken on a periodic basis and these should be signed and certified by someone independent of the operation of the fund on completion. | | | |
| Southglade Primary School 2014 | 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 : <ul style="list-style-type: none"> Leadership & Governance | Significant Assurance | A1136 (01) | School governance arrangements need to be improved to ensure that Governors are able to fulfil their financial management roles, responsibilities and accountabilities properly. The school has purchased the professional committee clerking | 1 | 3 | 1 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|-------------------------------|--|-----------------------|----------------------------|---|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | <ul style="list-style-type: none"> • People Management • Policy & Strategy • Processes • Purchasing • Processing Invoices • Purchase • Banking Arrangements • Petty Cash • School Fund • Inventory | | | <p>service for 2013/14 which will improve the quality of the minutes but attendance needs to be increased to ensure that meetings are quorate and decisions can be made.</p> | | | |
| Whitegate Primary School 2014 | <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 • Processing Invoices • Purchase • Banking Arrangements | Significant Assurance | A1095 (01) | <p>The school should ensure that detailed minutes are taken at each of the Governors' sub-committee meetings. The approval of policies and key decisions made by the Governors should be clearly recorded in the relevant meeting minutes</p> | 3 | 2 | 2 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|--------------------------------|---|-----------------------|----------------------------|---|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | <ul style="list-style-type: none"> • School Fund • Inventory | | | | | | |
| | | | A1104 (04) | For all purchases over £5,000, the school should obtain at least 3 alternative quotations. These should be considered by the finance committee of the governing body before deciding which supplier to award the contract to. This should be documented in the minutes of the meeting. | | | |
| | | | A1105 (05) | Alternative quotations should be obtained for all purchases made by the school with a value of between £1,000 and £5,000 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. | | | |
| Big Wood Secondary School 2014 | 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 | Significant Assurance | A1078 (01) | The Governors should review the school's finance policy and ensure that the school operates procedures in line with the policy. Limits of delegation and the value of purchases above which | 4 | 2 | 4 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|------------|--|---------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | audit : <ul style="list-style-type: none"> • Leadership & Governance • People Management • Policy & Strategy • Processes • Purchasing • Invoice Processing • Banking Arrangements • Petty Cash • School Fund • Inventory | | | approval from Governors is required should be considered and any changes should be formally noted in the minutes of the meeting. | | | |
| | | | A1079 (05) | The school is required to demonstrate that it has taken reasonable steps to achieve best value when purchasing goods or services. In practice, the most straightforward method of achieving proof of best value is by obtaining alternative quotes. The Governors should review the school's finance policy and decide at what level they expect alternative quotes to be obtained and ensure the school operates to the policy. | | | |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|----------------------|---|-----------------------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | | | A1088 (06) | The Governors should confirm the expenditure limit that they authorise the school to incur. Any expenditure over this limit should be first authorised by the Governors and the approval of this recorded in the minutes of the relevant Finance Committee meeting. | | | |
| | | | A1093 (08) | The Governing Body should instruct all staff to ensure that any expenditure incurred through the school fund is for the benefit of the pupils. | | | |
| Markets & Fairs 2014 | <p>The scope of this review was limited to;</p> <p>Identifying what income is due to the City Council and how it is collected and banked</p> <p>Reviewing current and former tenants' arrears and how they are pursued.</p> <p>How energy charges are being passed on to the appropriate tenant.</p> <p>Implementation of new procedures for cash collected at Colwick Car Boot.</p> <p>Inspection, maintenance and repair of markets</p> | Significant Assurance | A1162 (01) | There should be regular monthly meetings between the Estate Rents and the Markets & Fairs teams. These should assess the debt situation of individual traders and monitor arrangements to pay. A consistent policy should be developed to the level of debt to be tolerated before enforcement activity is initiated against a trader. | 3 | 1 | 2 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|------------|---|---------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | Access controls within the Markets & Fairs IT system, MACCS | | | | | | |
| | | | A1164 (05) | <p>Management at the Markets & Fairs Team should liaise with the Council's Insurance & Risk Team to seek advice on any security arrangements at the Car Boot Sale and produce a timetable for the introduction new controls.</p> <p>Management may also wish to look again at the Car Boot Logger IT system provided by the supplier of the MACCS software currently used by the Team, to determine if improvements have been made to it since the matter was last explored and if its use would be cost effective.</p> <p><i>a</i> There should be one individual responsible for set up of new users, deletion of old users etc.</p> <p><i>b</i> There should be a review of the priority configuration to determine which tasks can be performed by which colleagues so that the system can be run securely and providing a full audit trail.</p> | | | |
| | | | A1163 (06) | | | | |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|----------------------------|--|-------------------|----------------------------|---|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | | | | <p>c The generic "MACCS" user should be deleted as should any users who have left the Team.</p> <p>d It is accepted that expecting every balance adjustment to be authorised by colleagues at a higher level may be impractical; therefore, there should be a periodic review of a sample of adjustments to determine their validity by the Open Markets Manager.</p> <p>Greater use of the reporting tool should be made and it may be helpful to ask the software supplier to provide</p> | | | |
| Fleet Management Follow Up | <p>As part of this year's plan, we have reviewed the implementation of six recommendations from the 2009 - 10 Fleet Management Audit Report.</p> <p>The original scope for this review considered the following aspects of Fleet Management:</p> <ul style="list-style-type: none"> • Fleet Management Strategy, including energy strategy • Procurement procedures • Efficient Use of Resources • Performance and VFM | Limited Assurance | A0957 | <p>A corporate fleet management policy, consistent with the Council's Environmental Policy, should be approved at senior management or Member level This should clearly state the key principles the Council should include in its management strategy.</p> | 4 | 2 | 0 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|---------------|--|-------------------|----------------------------|---|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | <ul style="list-style-type: none"> Disposal <p>Note: 1 high recommendation has been completed leaving 3 outstanding.</p> | | | | | | |
| | | | A0960 | <p>The revised corporate fleet management approach should define which vehicles are to be treated as "fleet" as well as officer responsibilities (ie the Fleet Manager and Fleet Users).</p> <p>The Council needs to address the corporate risks if adequate controls are not in place.</p> <p>Consideration should be given to the inclusion of the "grey" fleet in the revised corporate fleet management approach.</p> <p>Consideration should also be given to the frequency of check and the standards required.</p> | | | |
| | | | A0961 | | | | |
| Housing Rents | <p>The agreed scope covered assurance that the key controls in operation within the Housing Rents system are operating effectively to ensure that the rent debit is raised accurately and rent collection is maximised. We also considered whether the Housing Revenue Account (HRA) has sufficient resources over the life of the business plan by looking at</p> | Limited Assurance | A0910 (01) | <p>A long term rents setting policy should be prepared setting out how income will be optimised to ensure that the cost of capital and maintenance is fairly apportioned between all current and future tenants. In the medium term the policy should be benchmarked against rent convergence targets and rents income required in the 30 Year Business Plan. The policy</p> | 2 | 7 | 1 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|------------|---|---------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | convergence to target rents and the implications for the business plan. | | | should be reported to Councillors for approval. | | | |
| | | | A0985 (02) | In order to optimise the income supporting capital and maintenance plans, both in the shorter and longer term, innovative approaches should now be considered to support achievement of convergence of rents to target rents. The effect of these changes on the overall average rent increase should be monitored to ensure that the potential for loss of housing benefit subsidy is factored into the decision, as it would be in the case of an annual percentage increase. To avoid unfairness to tenants it may be appropriate to consider limiting the rent set to that which is the maximum of equivalent properties. The innovative approaches should be consolidated within a rent increase policy, to be approved by councillors. This would be in keeping with the longer term outlook required by HRA self financing, and provide more certainty around the rent income stream for lenders when the Council finances capital expenditure on stock through debt, | | | |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|---|--|-------------------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | | | | which could in turn lead to lower interest rates on debt. | | | |
| Corporate Maintenance Framework - Follow-up | <p>The objective of this review was to review the follow up the actions identified in the agreed Action Plan included in our previous report.</p> <p>Note: 10 high recommendations have been completed leaving 2 outstanding.</p> | Limited Assurance | A1033 (5) | <p>The Council and Woodhead continue to work together to resolve the operational elements of the relationship and that resource from the Council's legal team is made available to ensure that a formal and accurate contract can be finalised and signed. This contract should provide all the checks, balances and safeguards required for arrangements of this nature and facilitate effective contract management by the Council. It should also ensure that mechanisms to assess value for money are in place and that the Council's input is at a level that the proposed savings are realised.</p> <p>Ensure that the range of job numbers used in any future property maintenance software application uses consecutive job numbers for each client.</p> | 12 | 6 | 1 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|--------------------------------------|--|-------------------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| Asset Management Follow Up 2014 | The objective of this review was to review the follow up the actions identified in the agreed Action Plan included in our previous report. | Limited Assurance | A1048 (01) | It is recognised that workforce reductions, reorganisations and the focus on the Workplace Strategy have all contributed to the lack of an AMP; however the need to have a strategic overview of the council's assets which is aligned with the Medium Term Financial Plan and which supports the Capital Programme should be addressed as soon as possible. | 1 | 1 | 1 |
| Proactive CF - Investment Properties | The scope of this audit was set to look at data inconsistencies between information held on the Property, Estate Rents and Business Rates systems which might indicate that some form of fraudulent activity could have occurred, for example, suppression of commercial property rental income or placement of Business Rate liability with the Council rather than the correct liable party. | Limited Assurance | A0823 (01) | The use of the UPRN across the Gazetteer modules and Business Rates systems needs to be reviewed and problems with amalgamations and splits etc need to be discussed and solutions implemented to provide sound cross referencing. Management should review the extent of the backlog and evaluate any potential loss of revenue and allocate additional resources to completing rent reviews as appropriate. | 2 | 5 | 0 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|------------|---|-----------------------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| Pensions | <p>The agreed scope covered the following:</p> <ul style="list-style-type: none"> • Review and verification of employer and colleague contribution rates applied to pension schemes and pay over to scheme providers. • Review and verify redundancy calculations. • Review position regarding issuing of pension statements. • Review the level of access and data input into the access system to ensure that we are complying with the agreement with Nottinghamshire County Council. • Follow up of previous recommendations | Significant Assurance | | The previous Audit Report on Pensions (issued in March 2012) contained 6 recommendations (5 High and 1 Medium Priority) which had been agreed by management. All six have now been satisfactorily completed or are discussed in this report. | 5 | 8 | 0 |
| Payroll | <p>The scope of this audit was agreed with the Head of HR Shared Services and concentrated on the following aspects of the system:</p> <ul style="list-style-type: none"> • IT (access) controls • Authorisation and completeness of | Significant Assurance | A0949 (01) | Access rights to the Delphi system should be consistent across all users and those not using the system for more than three months should have their access suspended. | 2 | 1 | 0 |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|------------|--|---------|----------------------------|--|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | <p>timesheets</p> <ul style="list-style-type: none"> • Authorisation, accuracy and review of payroll changes • Payroll authorisation • Production, coverage and review of exception reports • Payroll reconciliation • Budgetary control and verification of staffing • BACS authorisation • Leavers are dealt with accurately • Variations to pay are authorised • Payroll suspense is monitored and cleared regularly • Accuracy of overtime and enhancement payments <p>Note: Payroll (EMSS) is currently in progress</p> | | | | | | |
| | | | A0951 (02) | All new starters should have copies of their signed contracts scanned onto the Castle system | | | |

| Audit Name | Scope | Opinion | Action Ref (Report Ref) | Agreed Action | Recommendations Accepted | | |
|-----------------------------------|---|--|----------------------------|---|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| Residential Services Payroll 2014 | As part of the Internal Audit Plan for 2012/13, Internal Audit reviewed the payroll system. The objective of this review was to ensure that the payroll system provides Nottingham City Council with an accurate, efficient and effective service which pays all colleagues accurately and in a timely manner. During the testing our review highlighted concerns over timesheets submitted by one employee, this note highlights our concerns. | Briefing note of specific issues raised – No level of assurance provided | A1002 (05) | Advice should be sought on the practice of staff continuing on a casual employment. | 6 | 0 | 0 |
| | | | A1003 (06) | Any member of staff working in excess of 48 hours a week, should sign a Working Time Disclosure form. | | | |
| | | | A1001 (04) | Once timesheets have been completed and authorised by management, they should be printed off and retained. | | | |
| | | | A1000 (03) | Staff should be reminded to use the manual signing in sheets correctly. There should be spot checks by management to ensure that staff are signing in correctly. | | | |

| Audit Name | Scope | Opinion | Action Ref <i>(Report Ref)</i> | Agreed Action | Recommendations Accepted | | |
|------------|-------|---------|-----------------------------------|---|--------------------------|--------|-----|
| | | | | | High | Medium | Low |
| | | | A0998 (01) | Timesheets should be authorised by an appropriate manager who can verify the actual hours worked. | | | |
| | | | A0999 (02) | Timesheets should be submitted by an appropriate manager. | | | |

SUMMARY OF PROGRESS ON THE UPDATED AUDIT PLAN TO 30TH SEPTEMBER 2013

| Audit Title | Audit Outline / Management Direction | Days | Expected Days | Actual |
|------------------------------------|---|------|---------------|--------|
| 1. Strategic Risk Register | | | | |
| Strategic Risks | Review of evidence in place to mitigate risks. Specific strategic risks are listed under departmental headings | 10 | 0 | 0 |
| Caldicott Review (SR6, SR5a, SR8a) | Review requested by management | 10 | 5 | 8 |
| 2. Resources | | | | |
| Single Status / Equal Pay | Further assistance with next phase | 25 | 25 | 20 |
| Treasury Management | Assessing high level controls supported by compliance testing to give assurance over the operation of the control environment | 25 | 0 | 0 |
| Capital | Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System) To include Additions and Disposals | 25 | 0 | 2 |
| Council Tax | Assessment of high-level controls supported by compliance testing to give assurance over the operation of the control environment (Key System) | 22 | 2 | 0 |
| Business Rates | Assessment of high-level controls supported by compliance testing to give assurance over the operation of the control environment (Key System) | 21 | 1 | 0 |
| Benefits | Assessment of high-level controls supported by compliance testing to give assurance over the operation of the control environment (Key System) | 28 | 0 | 0 |
| Pensions | Assessment of high-level controls supported by compliance testing to give assurance over the operation of the control environment. | 22 | 22 | 16 |

| Audit Title | Audit Outline / Management Direction | Days | Expected Days | Actual |
|--|--|------|---------------|--------|
| Cash Collection | Assessment of new system / control environment. | 15 | 15 | 2 |
| Bank Reconciliation | Review of accounts to ensure reconciliations are both complete and accurate. Requirement for external auditors | 6 | 0 | 1 |
| Fairer Charging | To ensure service users are being charged in line with corporate policy and national guidance | 22 | 0 | 0 |
| Social and Local Welfare Assistance (SR26) | Liaison with colleagues regarding new systems/fraud risks | 2 | 2 | 0 |
| 3. Chief Executive | | | | |
| Partnerships (SR16a) | Review of Partnership Health Checks and Framework | 15 | 5 | 3 |
| Public Health (SR29) | Ensure governance arrangements are in place for the transfer of contracts, staff and funding. | 10 | 0 | 0 |
| 4. Children & Families | | | | |
| Schools assessments | Rolling assessment of the financial arrangements within schools. | 90 | 65 | 74 |
| Commissioning (SR25a) | Assessment of arrangements in place for strategic commissioning and market management. Include the role of the continuing care panel | 25 | 0 | 0 |
| Case Management (SR28) | Assessment of the arrangements in place to manage and report on the client review process | 18 | 0 | 0 |
| Children's Placements (SR6) | Review of budget management arrangements | 18 | 0 | 1 |
| Joint Funding of Care | Assessment of processes for identifying the need for joint funding; approval arrangements and income collection | 18 | 18 | 19 |
| ContrOCC Project | Ongoing input and advice with the project as it develops | 2 | 2 | 1 |

| Audit Title | Audit Outline / Management Direction | Days | Expected Days | Actual |
|-------------------------------|---|------|---------------|--------|
| Care First | Review of adoption data modelling proposal | 5 | 5 | 0 |
| 5. Communities | | | | |
| Local Authority Companies | Review of governance arrangements & VFM | 25 | 15 | 12 |
| Parking Services | Follow up and testing on implementation of recommendations | 5 | 0 | 0 |
| Workplace Parking Levy (SR27) | Management Request - Review the collection arrangements | 15 | 0 | 0 |
| Waste Management | Management Request - Assessment of management arrangements | 20 | 20 | 22 |
| Catering and Cleaning | Management Request - Assessment of management arrangements | 22 | 10 | 6 |
| Events Management | Cyclical review to cover management arrangements including H&S risks/income collection/market testing | 15 | 15 | 6 |
| Markets / Car Boot Sales | Scope to be agreed with management but to include management arrangements including H&S risks/income collection | 10 | 10 | 9 |
| Neighbourhood Enforcement | Management Request - Review of recovery and allocation of costs | 15 | 0 | 0 |
| Environmental Health | Management Request - Assessment of management arrangements | 15 | 0 | 0 |
| Community Buildings | Management of buildings / H&S risks / Usage of buildings | 20 | 20 | 19 |
| Carbon Reduction Commitment | Review to ensure the scheme is managed properly and effectively. | 10 | 10 | 12 |
| 6. Development | | | | |

| Audit Title | Audit Outline / Management Direction | Days | Expected Days | Actual |
|--------------------------------------|--|------|---------------|--------|
| Housing Rents | Assessment of high level controls within Rents System (Key System) | 20 | 0 | 0 |
| Housing Revenue Account | Management Request - Review of the commissioning role in respect of NCH | 10 | 10 | 11 |
| Economic Development Funding Streams | Management Request - Assessment of management arrangements in respect of significant funding streams City Deal, etc. To include further review of Nottingham Jobs Fund | 25 | 10 | 10 |
| Building Compliance (SR24) | Assessment of the arrangements in place to ensure NCC complies with its statutory obligations, re corporate and investment buildings | 22 | 22 | 25 |
| Procurement / Major Programmes | Management Request - Review of financial arrangements including assessment robustness of NCC processes for preventing fraud and obtaining VFM. | 20 | 0 | 0 |
| Woodfield Industries | Management Request - Assessment of management arrangements / scope to be agreed | 15 | 0 | 0 |
| Corporate Maintenance Framework | Follow up on previous work | 10 | 10 | 10 |
| 7. Corporate Audits | | | | |
| Governance Statement (SR10) | AGS preparation and publication | 30 | 20 | 27 |
| Risk Management | Audit of arrangements in place / ongoing liaison with risk champions | 20 | 10 | 0 |
| IT Audit (SR8a) | Ongoing audit of key IT risks including systems access/security | 40 | 20 | 14 |
| Contracts Audit | Testing of a sample of final accounts | 20 | 0 | 1 |
| Grants Audits | Review of management arrangements over grant claims and returns as well as ongoing work on a number of specific grant claims | 40 | 30 | 25 |
| Councillors Allowances | Assessment of compliance with the councillors allowance scheme | 10 | 0 | 0 |

| Audit Title | Audit Outline / Management Direction | Days | Expected Days | Actual |
|--|--|------|---------------|--------|
| Colleagues Expenses | Sample testing of claims submitted by colleagues, including new staff travel arrangements | 15 | 0 | 10 |
| NCC Authorisation Processes | Testing of NCC authorisation processes (Oracle Payroll/AP etc) | 40 | 15 | 0 |
| 8. Counter Fraud | | | | |
| Counter Fraud Strategy / Arrangements | Review of strategy / current arrangements and compliance with best practice (FFL/PPP) | 20 | 10 | 9 |
| Assessment of fraud risks | Assessment of areas that may be at risk of fraud including use of recommended counter fraud toolkits | 2 | 2 | 0 |
| Training / awareness | Initiatives to increase awareness amongst colleagues | 10 | 5 | 3 |
| Counter Fraud Activities | Co-ordinate counter fraud activities and liaison with KPMG and partners regarding annual fraud reporting requirements | 25 | 20 | 23 |
| National Fraud Initiative (NFI) | Co-ordinate the City's response to the next NFI exercise | 30 | 15 | 17 |
| Departmental Activities | Programme of pro-active testing of transactions with a view to identifying non-compliance / fraud / error, including emerging risks as identified by PPP | 30 | 15 | 6 |
| Income Collection (Wollaton Parking / Woodthorpe Grange) | Management Request – Income Collection arrangements | 10 | 10 | 5 |
| Personal Budgets - Adults (SR28) | Assess current financial arrangements against CIPFA guidance. Contributes to the City's response to "Protecting the Public Purse" | 20 | 0 | 0 |
| Data Matching | Pro-active data matching to identify potential fraud including scheduled duplicate payments run (responds to NFA Report) | 10 | 5 | 0 |
| 9. Companies etc | | | | |
| East Midlands Shared Services | See separate plan (includes work on key financial systems) | 140 | 65 | 75 |

| Audit Title | Audit Outline / Management Direction | Days | Expected Days | Actual |
|---|--|-------------|---------------|------------|
| Responsible Officer | To assist academies with the Responsible Officer role | 10 | 10 | 12 |
| Other Bodies | Provision of Internal Audit services | 80 | 40 | 39 |
| 10. Consultancy, Advice and Support | | | | |
| General Contingency – ad hoc work | To allow for requests from senior management or the need to undertake ad hoc assignments as they arise | 30 | 15 | 25 |
| Fraud & Irregularity Contingency | Separate contingency to investigate non-Housing Benefit fraud | 45 | 20 | 13 |
| Advice | Liaison with departments including advice re capital projects | 30 | 15 | 18 |
| Audit Committee | Support and development of Audit Committee | 30 | 15 | 25 |
| 11. Other Work | | | | |
| Recommendations Monitoring / s151 Assurance Reporting | Ongoing follow up and monitoring of implementation of recommendations | 50 | 25 | 28 |
| Audit of Charity and other Accounts | Lord Mayor's, Hanley & Gellestrophe, Highfields, Harvey Haddon | 10 | 10 | 9 |
| Bridge Estate | Management Request - Assessment of how current risks are managed | 10 | 10 | 7 |
| Public Sector Internal Audit Standards | Further work to ensure compliance with new standards | 5 | 5 | 2 |
| | Total Days | 1540 | 726 | 682 |