

AUDIT COMMITTEE – 27 February 2015

Title of paper:	INTERNAL AUDIT QUARTERLY REPORT 2014/15 (THIRD QUARTER) AND INTERNAL AUDIT PLAN 2015/16.	
Director(s)/ Corporate Director(s):	Geoff Walker Acting Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Author and contact officer Shail Shah – Head of Internal Audit Tel: 0115 8764245 Email: shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	Note and gives views on the performance of IA during the period.	
2	Select up to two audits from Appendix 2 for examination at the Committee's next meeting.	
3	Approve the Internal Audit Plan for 2015/16 (Appendix 3).	

1. REASONS FOR RECOMMENDATIONS

This report outlines the work of the Internal Audit service (IA) for the third quarter of 2014/15, and the proposed Internal Audit Plan 2015/16.

- **Appendix 1** - Analysis of High Risk findings in Final Audit Reports issued in the period
- **Appendix 2** - List of final audit reports with high risk recommendations issued in the year with scope, analysis of recommendations, details of high risk recommendations and level of assurance
- **Appendix 3** - Summary of Proposed Audit Plan 2015/16.

1.1 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 and is ISO9001:2008 accredited.

Local Performance Indicators (PIs)

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

Table 1 : Performance v PI Targets					
Indicator		Target	Period	Actual Year	Comments
1	% of all recommendations accepted.	95%	100%	100%	Above 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	3	4	Above Target
4	Number of key / high risk systems reviewed.	15	4	4	Work underway and on target
5	% of staff receiving at least three days training per year.	100%	22%	22%	On Target
6	% of customer feedback indicating good or excellent service.	85%	100%	89%	Above Target

1.2 Activity

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

TABLE 2: ACTUAL v PLANNED AUDIT DAYS		
Total Planned Days	Actual to date	Comments
1849	1153	Audit Plan on track for year end completion.

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

TABLE 3: RECOMMENDATIONS ACCEPTED				
	To Date		Period	
	All	High	All	High
Total recommendations made	163	51	25	11
Rejected	0	0	0	0
Total recommendations accepted	163	51	25	11
% accepted	100%	100%	100%	100%

1.4 Internal Audit Plan 2015/16

Appendix 3 summarises the internal audit plan for 2015/16. The IA Plan is produced annually and allocates audit resources throughout the year to review risks to the Council's vision, values and strategic priorities. The construction of the plan is informed by consideration of a range of factors including the Council Plan, the Council's Risk Register, previous internal and external audit activity, emerging themes and priorities, professional networks, the Council's transformation and improvement activity, and changes to national, local and regional policy. The Annual Plan contains capacity to adapt to accommodate new and unforeseen work as risks and priorities change and develop throughout the year, which will be reported to this Committee as part of the normal reporting cycle.

2. BACKGROUND

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 planned and undertaken by the service.

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

None

4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- Accounts and Audit Regulations 2011
- Audit Plan 2014/15
- Public Sector Internal Audit Standards 2012

Reports issued in Q3 with High Risk Recommendations

Audit	Scope	Level of Assurance	Recommendations				
			High	Medium	Low	Report ref	
Fleet Maintenance	<p>The agreed scope covered the following:</p> <ul style="list-style-type: none"> • Contract / SLA Management • Pricing methodology used to determine the contract rates • Charging mechanism for completed work against the contracts. • Management Information systems, recording and reporting of work undertaken • IT controls over access to MIS • Income reconciliations against work performed • Budget and transactional reporting 	Limited	10	7	2	R1	<p>The business needs to review its current and future business needs in order that it can draw up a new specification for a fleet management system that addresses:</p> <ol style="list-style-type: none"> 1) The management of Fleet Maintenance Contracts 2) Private MOT's, servicing and taxi testing 3) Production of real time invoices linked with point of sale systems 4) Linkages with NCC Financial management systems 5) Simplification of work categorisation by adopting nationally recognised coding. 6) Meets or exceeds NCC IT Security Standards 7) Allows for flexible reporting arrangements, including the generation of exception reports 8) Holds scanned images

Audit	Scope	Level of Assurance	Recommendations				
			High	Medium	Low	Report ref	
							<p>of documentation relating to contract or vehicles or has links to other systems, such as Castle, where documentation could be held corporately.</p> <p>A complete record of changes to data in respect of adjustments to customer invoices.</p>
						<p>R4</p> <p>R6</p>	<p>All work performed should have a job card in order that the time and parts utilised can be recorded and costs recovered, where appropriate.</p> <p>As far as taxi licencing work is concerned this would aid the recovery process as a report could be run from Tranman and used for recharge purposes.</p> <p>A system of review and charging should be established to ensure all work is promptly charged for.</p> <p>One solution may be for all job sheets to be scanned and held appropriately in order that they can be reviewed and the appropriate level of charge made.</p>

Audit	Scope	Level of Assurance	Recommendations			
			High	Medium	Low	Report ref
						<p>R10 There is a need to have an agreed, consistent, up to date pricing policy adopted by both sites that is reviewed periodically and reinforced by the use of an EPOS system, which links both sites.</p> <p>R12 There is a need to have an agreed, consistent, up to date pricing policy adopted by both sites that is reviewed periodically and reinforced by the use of an EPOS system, which links both sites.</p> <p>R13 There is a need to have an agreed, consistent, up to date pricing policy adopted by both sites that is reviewed periodically and reinforced by the use of an EPOS system, which links both sites.</p> <p>R14 There is a need to have an agreed, consistent, up to date pricing policy adopted by both sites that is reviewed periodically and reinforced by the use of an EPOS system, which links both sites.</p> <p>R15 There is a need to have an agreed, consistent, up to date pricing policy adopted by both sites that is reviewed</p>

Audit	Scope	Level of Assurance	Recommendations				
			High	Medium	Low	Report ref	
							periodically and reinforced by the use of an EPOS system, which links both sites.
						R17	<p>Milometer reading should be accurate and complete for all vehicles to enable driver abuse and excessive mileages to be identified</p> <p>This is especially important where mileage is a factor in any SLA or contractual arrangement, such as NCH where mileage above 8,000 miles p.a. has to be reviewed as part of the charging arrangements.</p>
						R18	<p>Milometer reading should be accurate and complete for all vehicles to enable driver abuse and excessive mileages to be identified</p> <p>This is especially important where mileage is a factor in any SLA or contractual arrangement, such as NCH where mileage above 8,000 miles p.a. has to be reviewed as part of the charging arrangements.</p>
Business Strategy & Support 2015	<p>The agreed scope covered the following:</p> <ul style="list-style-type: none"> Review the process and payments for Section 17 – ensuring that all payments are appropriately documented and that, 	Limited	1	4	1	R3	All keys for the safe should be removed at night.

Audit	Scope	Level of Assurance	Recommendations			
			High	Medium	Low	Report ref
	<p>where appropriate, clients sign for the cash received.</p> <ul style="list-style-type: none"> Review the management and recording of petty cash payments at a sample of remote establishments 					

APPENDIX 2

Final Audit Reports issued 1st April to 31st December 2014

Department	Division	Activity Title	Assurance	Accepted recommendations			Reported quarter	
				High	Medium	Low		
Children and Adults	Adult Assessment	Personal Budgets - 2014 - Follow-up	Significant Assurance	5	6	0	2	
		Adult Assessment Total		5	6	0		
	School	Brocklewood Primary School		Significant Assurance	1	3	1	1
		Jubilee Primary School		Significant Assurance	0	0	0	1
		Nottingham Nursery		Significant Assurance	2	1	2	1
		Westglade Primary School		Significant Assurance	0	3	0	1
		Cantrell Primary and Nursery		Significant Assurance	1	4	4	2
		Ellis Guilford Comprehensive		Limited Assurance	8	8	3	2
		Glade Hill Primary and Nursery		High Assurance	0	2	4	1
		Oak Field School and Specialist Sports College		Significant Assurance	0	2	4	1
		Scotholme Primary and Nursery		High Assurance	0	1	3	1
		South Wilford Endowed CE Primary		Significant Assurance	1	2	1	2
	Walter Halls Primary and Early Years		Significant Assurance	0	3	3	2	
		Schools Total		13	29	25		
Quality and Commissioning	Housing Related Support Payments		High Assurance	0	0	0	1	
	Quality and Commissioning Total		0	0	0			
Children and Adults Total				18	35	25		
Communities	Neighbourhood Services	Fleet Maintenance		10	7	2	3	
	Neighbourhood Services Total			10	7	2		
Communities Total				10	7	2		
Development	Planning and Transport	Green Bus Funding	Grant	0	0	0	2	
		Planning and Transport Total		0	0	0		
	Housing Strategy	Housing rents	Limited	7	6	1	1	
	Housing Strategy Total			7	6	1		

Department	Division	Activity Title	Assurance	Accepted recommendations			Reported quarter
				High	Medium	Low	
	Economic Development	Economic Development - Funding Streams 2014	Significant Assurance	0	2	2	2
		Woodfield Industries 2014	Significant Assurance	0	6	0	2
		Economic Development Total		0	8	2	
		Development Total		7	14	3	
Charities		Hanley & Gellestrop	Charity Account	0	0	0	1
		Charities Total		0	0	0	
Resources	Information Technology	IT Asset Management	Limited Assurance	2	6	1	1
		IT Security 2014	Limited Assurance	5	2	1	1
		Information Technology Total		7	8	2	
	Strategic Finance	Housing Benefits 2014	Limited Assurance	2	1	0	1
		Troubled families Grant 2013 14 Qtr 4	Grant	0	0	0	1
		Troubled families Grant 2014 15 Qtr 1	Grant	0	0	0	2
		Growth Point 2013-14	Grant	0	0	0	1
		Adoption Reform Grant 2013 14 Part B	Grant	0	0	0	1
		Bank Reconciliation 2014	Limited Assurance	1	0	0	2
		Fairer Charging 2014	Significant Assurance	2	0	2	1
		Contracts audit	Significant Assurance	1	1	0	1
		AR - NCC Testing (Oracle)	Limited Assurance	0	5	0	1
		Budgetary Control	Significant Assurance	0	0	0	1
		Main Acc - NCC Testing (Oracle)	Limited Assurance	2	2	0	1
	Business Strategy & Support 2015	Limited Assurance	1	4	1	3	
	Strategic Finance Total		9	13	3		
Legal & Democratic Services	A3 forms Hardware Requirements Grant (One-off grant)	Grant	0	0	0	1	
	Legal & Democratic Services Total		0	0	0		
	Resources Total		16	21	5		
Grand Totals				51	77	35	163

SUMMARY OF PROPOSED INTERNAL AUDIT PLAN 2015/16

<u>Audit Area</u>	<u>Planned Days</u>
Strategic Risk	50
Fraud / Counter Fraud	909
Consultancy, Advice and Support	180
Companies / Other Bodies	333
Corporate Audits	305
Development	110
Communities	110
Children & Families	160
Chief Executive	90
Resources	118
Developments / Other	80
Total Days	2445