

## AUDIT COMMITTEE - 27 NOVEMBER 2015

|  |  |                            |
|--|--|----------------------------|
| <b>Title of paper:</b>                               | <b>INTERNAL AUDIT QUARTERLY REPORT (SECOND QUARTER)</b>  |                            |
| <b>Director(s)/<br/>Corporate Director(s):</b>       | Geoff Walker<br>Acting Director of Strategic Finance   | <b>Wards affected: All</b> |
| <b>Report author(s) and<br/>contact details:</b>     | <b>Author and contact officer</b><br>Shail Shah – Head of Internal Audit<br>Tel: 0115 8764245<br>Email: <a href="mailto:shail.shah@nottinghamcity.gov.uk">shail.shah@nottinghamcity.gov.uk</a> |                            |
| <b>Other colleagues who<br/>have provided input:</b> |  |                            |
|  |  |                            |
| <b>Recommendation(s):</b>                            |  |                            |
| <b>1</b>   | To note the report.  |                            |

### **1. REASONS FOR RECOMMENDATIONS**

This report outlines the work of the Internal Audit service (IA) for the second quarter of 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 period with scope, analysis of recommendations, details of high risk recommendations and level of assurance
- **Appendix 3** - Summary of work undertaken on the Audit Plan 2015/16 to date.

#### **1.1.1 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 2015, and associated regulations, in respect of the provision of an IA service. The service has internal quality procedures and is ISO9001:2008 accredited.

## 1.2 Local Performance Indicators (PIs)

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

| <b>Table 1 : Performance v PI Targets</b> |   |               |               |                    |  |
|---|---|---------------|---------------|--------------------|--|
| <b>Indicator</b>                          |   | <b>Target</b> | <b>Period</b> | <b>Actual Year</b> | <b>Comments</b>                            |
| 1   | % of all recommendations accepted.  | 95%           | 100%          | 98%                | 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 days        | 5 days        | 7 days             | Above Target                               |
| 4   | Number of key / high risk systems reviewed.                                       | 11 systems    | 0             | 0                  | Work underway and on target                |
| 5   | % of staff receiving at least three days training per year.                       | 100%          | 30%           | 30%                | On Target - training accumulated over year |
| 6   | % of customer feedback indicating good or excellent service.                      | 85%           | 95%           | 95%                | Above Target                               |

## 1.3 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.

| <b>TABLE 2: ACTUAL v PLANNED AUDIT DAYS</b> |                       |  |
|---|-----------------------|--|
| <b>Total Planned Days</b>                   | <b>Actual to date</b> | <b>Comments</b>                              |
| 2378  | 1032                  | 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.

| <b>TABLE 3: RECOMMENDATIONS ACCEPTED</b> |                |             |               |             |
|--|----------------|-------------|---------------|-------------|
|  | <b>To Date</b> |             | <b>Period</b> |             |
|  | <b>All</b>     | <b>High</b> | <b>All</b>    | <b>High</b> |
| Total recommendations made               | 179            | 63          | 45            | 15          |
| Rejected                                 | 4              | 0           | 0             | 0           |
| Total recommendations accepted           | 175            | 63          | 45            | 15          |
| % accepted                               | 98%            | 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 2015
- Audit Plan 2015/16
- Public Sector Internal Audit Standards 2012

**Reports issued in Q2 with High Risk Recommendations**

**Seely Primary & Nursery School**

**Executive Summary**

|  |   |   |
|--|---|---|
| <p><b>Company :</b> Seely Primary &amp; Nursery School</p> <p><b>Date of Review:</b> 12<sup>th</sup> March and 10<sup>th</sup> June 2015</p> <p><b>Summary:</b> Although certain procedures were found to meet the standards of good practice, our review identified a number of significant weaknesses in the school’s financial management procedures where improvements need to be made. These include the Governor approval of the budget and quotes, the Rec1s process and Single Status. Due to these recommendations being classed as a high priority, it is important that it is implemented within the next three months.</p>   | <p><b>Overall Opinion</b></p> <p><b>Significant Assurance</b></p> <p><b>Direction of Travel:</b></p> <p>This is the first audit the school has received as a new Primary; therefore no judgements can be made.</p>  |  |
| <p><b>Scope and Approach:</b> The scope of this review was limited to;</p> <p>Leadership &amp; Governance, People Management, Policy &amp; Strategy, Processes, Purchasing, Invoice Processing, Banking Arrangements, School Fund, Income</p>  |   |   |
| <p><b>High Priority Recommendations</b></p> <p>R2. The school should check draft minutes to ensure decisions are recorded and declarations of interests should appear as an agenda item at each Governor meeting</p> <p>R4. The school should review its processes for Rec1s and Outturns to improve timeliness of returns. The school should ensure it retains certified copies of Rec1s for each month.</p> <p>R5. The school should ensure that Governors are presented with quotes for purchases over £5000 and their approval of the preferred supplier is documented in the minutes. If 3 quotes cannot be obtained, the reasons should be presented to Governors and their decision also minuted.</p> <p>R9. The hours worked by TAs should be regularly checked by the Head and a note made to certify compliance.</p> <p>R10. Annual Entitlement should be calculated for staff and monitored via an Annual Leave Card.</p> | <p>A summary of the recommendation priority is shown below:</p> <div data-bbox="1478 869 2038 1308" style="border: 1px solid black; padding: 10px;"> <p style="text-align: center;"><b><u>Summary of the recommendations by priority</u></b></p>  <p style="text-align: center;">■ High ■ Medium ■ Low</p> </div> |   |

# Melbury Primary School

## Executive Summary

**Company :** Melbury Primary School

**Date of Review:** 26<sup>th</sup> June 2015

**Summary:** We consider that the financial procedures in place at the school represent good practice and provide sound systems of internal control.

Whilst five recommendations have been made in this report, the number of recommendations made is lower than for the majority of other schools audited and only one recommendation relating to the Breakfast Club is classed as a High priority.

**Overall Opinion**

**Significant Assurance**

**Scope and Approach:** The scope of this review was limited to;

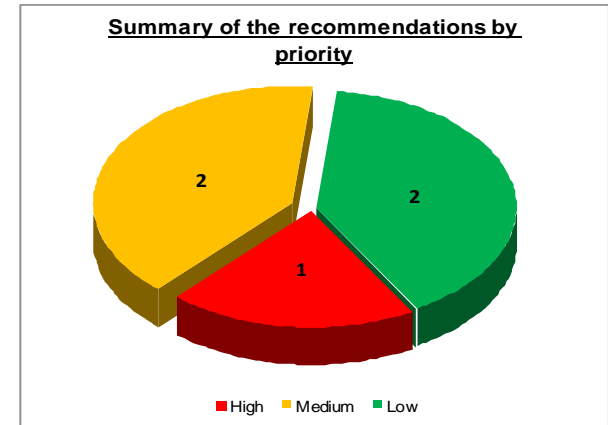
Leadership & Governance, People Management, Policy & Strategy, Processes, Purchasing, Invoice Processing, Banking Arrangements, School Fund, Single Status, Income and Asset Register

**High Priority Recommendations:**

R1. The school should review the record keeping at the Breakfast Club to ensure attendance reconciles to cash received.

Breakfast Club staff should reconcile the cash received to the register each day and sign and date this before money is passed to the school office for banking.

A summary of the recommendation priority is shown below:



# Middleton Primary & Nursery School

## Executive Summary

**Company :** Middleton Primary & Nursery School  
**Date of Review:** 12th June 2015  
**Summary:** We consider that the financial procedures in place at the school represent good practice and provide sound systems of internal control. Our review identified four areas where improvements could be made in particular to Single Status.

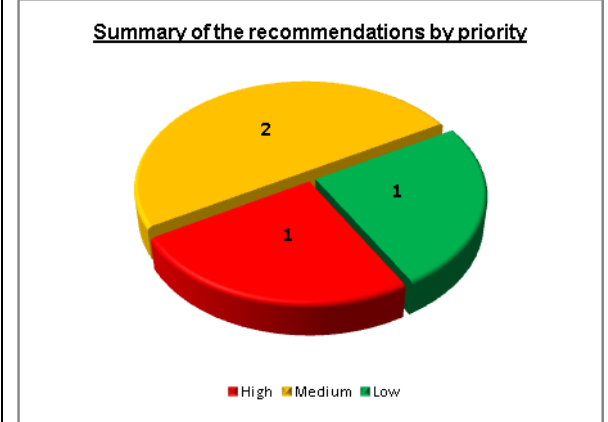
**Overall Opinion**  
**Significant Assurance**  
**Direction of Travel:**  
 The school have retained their Significant Assurance level from 2012.



**Scope and Approach:** The scope of this review was limited to;  
 Leadership & Governance, People Management, Policy & Strategy, Processes, Purchasing, Invoice Processing, Banking Arrangements, School Fund, Single Status, Income

**High Priority Recommendations**  
 R5. The SBM's holiday entitlement and work pattern should be recorded annually in an auditable format and certified by the HT.

A summary of the recommendation priority is shown below:



# Rise Park Primary & Nursery

## Executive Summary

School : Rise Park Primary & Nursery

Date of Review: 30<sup>th</sup> April 2015

**Summary:** We consider that most of the arrangements in place within the school are satisfactory and provide sound systems of control. Our review identified some areas where improvements could be made. These include the approval of quotes by Governors and Single Status. Due to these recommendations being classed as a high priority, it is important that it is implemented within the next three months.

Overall Opinion

### Significant Assurance

Direction of Travel:

The school has maintained its level of Significant Assurance and reduced the number of High recommendations since its last audit in 2012.



**Scope and Approach:** The scope of this review was limited to;

Leadership & Governance, People Management, Policy & Strategy, Processes, Purchasing, Invoice Processing, Banking Arrangements, School Fund, Income, Single Status

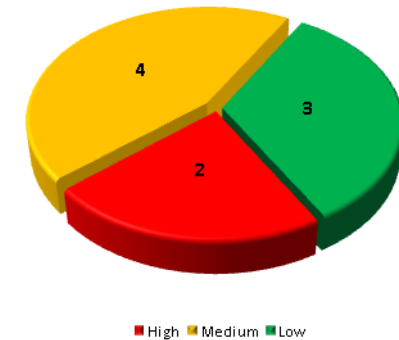
**High Priority Recommendations:**

R5. The school should ensure that Governors are presented with quotes for purchases over £10000 and their approval of the preferred supplier is documented in the minutes.

R9. Annual Entitlement should be calculated for staff and monitored via an Annual Leave Card.



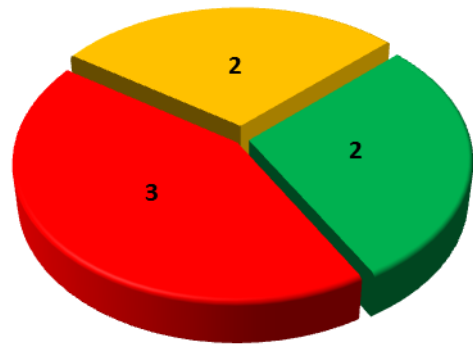
A summary of the recommendation priority is shown below:

Summary of the recommendations by priority





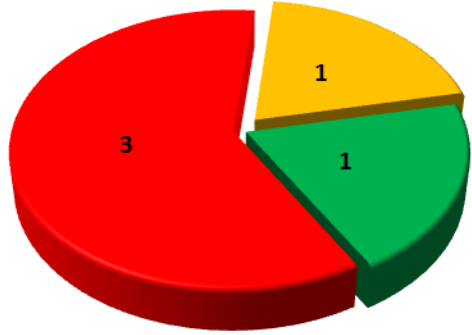
# Equality Impact Assessments

## Executive Summary

|  |   |   |   |
|--|---|---|---|
| <p>Organisation: Nottingham City Council<br/>         Directorate: Organisational Transformation<br/>         Previous reviews:</p>  | <p>Overall Opinion:<br/> <b>Limited Assurance</b></p> |    | <p>Direction of Travel:<br/>         This area has not been subject of any previous reviews</p>  |
| <p><u>Scope and Approach:</u>The scope of the review included:</p> <ul style="list-style-type: none"> <li>• Writing of assessments including the experience of authors and information utilised.</li> <li>• Actions prescribed as a result of the assessment.</li> <li>• Monitoring of equality impacts and actions.</li> <li>• Advice provided by the ECR Team.</li> <li>• Publication of completed assessments.</li> <li>• Reporting on the organisation’s adherence to the E&amp;D Policy.</li> </ul>   |   |   |   |
| <p>High Priority Recommendations</p> <p>01 ECR Team to investigate instance of not receiving EIA to Quality Check.<br/>         ECR Team, with the Equalities Board, to consider and implement good practise in early monitoring of activity across NCC.</p> <p>02 Importance of ‘SMART’ actions and monitoring to be reinforced in future Training and ECR Team quality checking.<br/>         Names/job title and dates to be added to actions. Actions and monitoring to be included on service implementation plans.<br/>         ECR Team to carry out regular ‘spot checks’ to ensure actions and monitoring take place.</p> <p>03 ECR Team to update tracker and amend to reflect new Operating System.</p> |   | <p><b><u>Summary of the recommendations by priority</u></b></p>  <p>■ High ■ Medium ■ Low</p> |   |



# Housing Benefits Executive Summary

| <p>Organisation: Nottingham City Council</p> <p>Previous Audit: Housing Benefits 2013-14</p>   | <p>Overall Opinion</p> <p>Significant Assurance</p> |   | <p>Direction of Travel</p>  |          |       |      |   |        |   |     |   |
|--|---|--|--|----------|-------|------|---|--------|---|-----|---|
| <p><u>Scope and Approach:</u> The agreed scope covered assurance that the key reconciliation controls within the Housing Benefits system are operating effectively. We also obtained updates on actions arising from previous reports.</p>   |   |  |  |          |       |      |   |        |   |     |   |
| <p><b>High Priority Recommendations</b></p> <p>2014 02 The service should produce a report evaluating the effectiveness of the overpayments training and outlining other measures to reduce the level of error associated with transactions that create overpayments.</p> <p>2014 03 The service should use its accuracy testing data to focus support and quality control on colleagues with the worst accuracy record over recent testing.</p> <p>2013 06 Whilst processing remains relatively inaccurate a much higher level of payment run check should take place.</p> <p>Whilst management have made assertions in relation to these recommendations, evidence to support these assertions has not been provided over the ample period of time we have allowed before producing this report.</p> |   | <p><b>Summary of the recommendations by priority</b></p>  <table border="1"> <caption>Data for Summary of the recommendations by priority</caption> <thead> <tr> <th>Priority</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>3</td> </tr> <tr> <td>Medium</td> <td>1</td> </tr> <tr> <td>Low</td> <td>1</td> </tr> </tbody> </table> |  | Priority | Count | High | 3 | Medium | 1 | Low | 1 |
| Priority   | Count   |  |  |          |       |      |   |        |   |     |   |
| High   | 3   |  |  |          |       |      |   |        |   |     |   |
| Medium   | 1   |  |  |          |       |      |   |        |   |     |   |
| Low  | 1   |  |  |          |       |      |   |        |   |     |   |

Final Audit Reports issued 1<sup>st</sup> July to 30<sup>th</sup> September 2015

| Department                       | Division                                   | Activity Title   | Audit Assurance       | Recommendations Accepted |           |           |
|----------------------------------|--|--|-----------------------|--------------------------|-----------|-----------|
|                                  |  |  |                       | Low                      | Medium    | High      |
| Children and Adults              | Safeguarding                               | Children's Continuing Health Care                      | Significant Assurance | 0                        | 1         | 0         |
|                                  |  | <b>Total Safeguarding</b>                              |                       | <b>0</b>                 | <b>1</b>  | <b>0</b>  |
|                                  | Schools                                    | Seely Primary  | Significant Assurance | 2                        | 4         | 5         |
|                                  |  | Melbury Primary and Nursery School                     | Significant Assurance | 2                        | 2         | 1         |
|                                  |  | Middleton Primary and Nursery School                   | Significant Assurance | 1                        | 2         | 1         |
|                                  |  | Rise Park Primary School                               | Significant Assurance | 3                        | 4         | 2         |
|                                  | <b>Total Schools</b>                       |  | <b>8</b>              | <b>12</b>                | <b>9</b>  |           |
| <b>Total Children and Adults</b> |  |  | <b>8</b>              | <b>13</b>                | <b>9</b>  |           |
| Development & Growth             | Strategic Asset & Property Management      | Property Management                                    | Significant Assurance | 0                        | 3         | 0         |
|                                  |  | <b>Total Strategic Asset &amp; Property Management</b> |                       | <b>0</b>                 | <b>3</b>  | <b>0</b>  |
|                                  | <b>Total Development &amp; Growth</b>      |  |                       | <b>0</b>                 | <b>3</b>  | <b>0</b>  |
| Organisational Transformation    | Equalities and Community Relations         | Equality Impact Assessments                            | Limited Assurance     | 2                        | 2         | 3         |
|                                  |  | <b>Total Equalities and Community Relations</b>        |                       | <b>2</b>                 | <b>2</b>  | <b>3</b>  |
|                                  | <b>Total Organisational Transformation</b> |  |                       | <b>2</b>                 | <b>2</b>  | <b>3</b>  |
| Resilience                       | Strategic Finance                          | Housing Benefits                                       | Significant Assurance | 1                        | 1         | 3         |
|                                  |  | Capital Funded Transport Programmes 14-15              | Grant                 | 0                        | 0         | 0         |
|                                  |  | LSTF 2014-15 Capital Grant                             | Grant                 | 0                        | 0         | 0         |
|                                  |  | 2014-15 Autism Capital Grant                           | Grant                 | 0                        | 0         | 0         |
|                                  |  | DFG Capital Grant 2014-15                              | Grant                 | 0                        | 0         | 0         |
|                                  | <b>Total Strategic Finance</b>             |  | <b>1</b>              | <b>1</b>                 | <b>3</b>  |           |
| <b>Total Resilience</b>          |  |  | <b>1</b>              | <b>1</b>                 | <b>3</b>  |           |
| <b>Grand Total</b>               |  |  |                       | <b>11</b>                | <b>19</b> | <b>15</b> |

**SUMMARY OF INTERNAL AUDIT PLAN 2015/16**

| <b><u>Audit Area</u></b>               | <b><u>Planned Days</u></b> | <b><u>Days to Date</u></b> |
|--|----------------------------|----------------------------|
| <b>Strategic Risk</b>                  | 40                         | 0                          |
| <b>Fraud / Counter Fraud</b>           | 954                        | 480                        |
| <b>Consultancy, Advice and Support</b> | 170                        | 82                         |
| <b>Companies / Other Bodies</b>        | 288                        | 134                        |
| <b>Corporate Audits</b>                | 317                        | 88                         |
| <b>Development</b>                     | 70                         | 4                          |
| <b>Communities</b>                     | 65                         | 44                         |
| <b>Children &amp; Families</b>         | 235                        | 143                        |
| <b>Chief Executive</b>                 | 85                         | 41                         |
| <b>Resources</b>                       | 144                        | 16                         |
| <b>Developments / Other</b>            | 10                         | 0                          |
| <b>Total Days</b>                      | 2378                       | 1032                       |