

AUDIT COMMITTEE - 24 November 2017

Title of paper:	INTERNAL AUDIT QUARTERLY REPORT (2nd QUARTER 2017/18)	
Director(s)/ Corporate Director(s):	Strategic Director of Finance	Wards affected: ALL
Report author(s) and contact details:	Head of Audit and Risk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To note the performance of Internal Audit during the period.	

1 REASONS FOR RECOMMENDATIONS

1.1 This report outlines the work of the Internal Audit service (IA) for the 1st and 2nd quarters of 2017/18.

- Appendix 1 – Executive Summaries from all Final Audit Reports issued in the period
- Appendix 2 - List of final audit reports issued in the period with analysis of recommendations and level of assurance
- Appendix 3 - Summary of position against updated Internal Audit Plan 2017/18

1.2 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. In the last assessment in March 2017 the service was found to substantially comply with the principles contained in the Public Sector Internal Audit Standards (PSIAS), which is a requirement 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.

1.3 Local Performance Indicators (PIs)

Performance against PIs is illustrated in Table 1.

Table 1 : Performance v PI Targets					
Indicator		Target	Period	Actual Year	Comments
1	% of all recommendations accepted.	95%	98%	99%	Above Target
2	% of high recommendations accepted.	100%	100%	100%	On Target

Table 1 : Performance v PI Targets					
Indicator		Target	Period	Actual Year	Comments
3	Average number of working days from draft agreed to the issue of the final report	8 days	1	4	Above Target
4	% of staff receiving at least three days training per year.	100%	cumulative	cumulative	On Target
5	% of customer feedback indicating good or excellent service.	85%	cumulative	97%	Above Target
6	Number of key / high risk systems reviewed	11	-	Complete in Qtr3 & Qtr4	See Below

1.4 **Activity**

Appendix 3 summarises the internal audit plan for 2017/18. NCC Internal Audit also provides an internal audit service for other organisations. 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, by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. 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. It is also informed by consultation with stakeholders. The Plan is regularly reviewed and adapted as risks and priorities change and develop through the year.

1.5 **Summary of Activity**

A summary of reports issued within the last 6 months is included in Appendix 2. The following sections highlight any key issues and outcomes.

1.5.1 Key Financial Systems

Work on the 2017/18 systems commenced during quarter 2 and will continue during quarter 3. Typically this work is planned to commence at a point in the year where there is sufficient data available to test.

1.5.2 Schools

This year we are planning themed audits across City schools as an alternative to individual schools audits. The themes to be covered will include procurement and recruitment. We will perform the responsible officer role at three academies during this last quarter.

1.5.3 Compliance and Risk-Based Audits

We complete compliance and risk based audits across the organisation and have to date reported on Meals at Home, EU Funded Projects, Corporate Maintenance, Procurement Card and Right to Buy which was an audit that spanned both NCC and NCH. We have completed a review in Parking Services in the first part of the year which produced good results and we are about to report on the management of specific capital schemes, recruitment and retention and also the application of the City's new terms and conditions.

1.5.4 Governance and Ethics

We have undertaken a process to update the Annual Governance Statement for 2016/17. We provide advice to departmental colleagues, which supports them in making good decisions and setting up procedures, which comply with the organisation's values, policies and processes. We are currently planning audit assignments to include organisational culture and behavioural insights in 2017/18.

1.5.6 Fraud and Investigations

1.5.6.1 The Internal Audit section incorporated the Corporate Counter Fraud Team during 2015/16 with a view to identifying additional income and savings for the Council. This new approach has been successful to date with the agreed income target for 2017/18 of £400,000 exceeded in the first six months.

1.5.6.2 We have implemented a Corporate Counter Fraud plan that projects the scope of our activities over the next 2 years. This year we have concentrated efforts on Council Tax and Non-Domestic Rates. We continue to assist in identifying and investigating fraud in Right To Buy and tenancies, and work with colleagues in Nottingham City Homes. We support the Monitoring Officer in respect of Whistleblowing reports, most of which are received by Internal Audit. We advise on or carry out investigations in relation to suspected fraud and irregularities up to and including attendance in court as witness. We have continued to provide an e-learning tool on fraud awareness – which is available to departmental and school-based colleagues, and councillors. This year we have been coordinating and supporting the investigation of returned data matches from National Fraud Initiative (NFI). We coordinated the provision of data for the NFI to use in this matching exercise during 2016/17.

1.5.7 Information and Technology

We carry out a range of information and technology audits during the year that supports management in understanding and addressing the related governance, risk and control issues. This year we have reported upon the City's change management arrangements, IT Asset Management and IT Security. We have recently concluded on the management of mobile devices and are currently reviewing the Cyber Security arrangements. As part of audits completed earlier in the year, recommendations were put forward to bring an annual IT Governance report to this committee.

1.5.8 Other / Consultancy

Following on from a previous audit of the Council's Works Perks scheme, we have agreed to provide some ongoing monitoring of the scheme with the aim of ensuring that all employee benefits provided via the scheme are promptly recovered from salaries.

- 1.5.9 Table 2 shows that actual days achieved are slightly less than expected at this point in the year due to difficulties in filling vacancies.

TABLE 2: ACTUAL v PLANNED AUDIT DAYS		
Total Planned Days	Actual to date	Comments
2157	927	The benefits of recent recruitment should help us to increase output in Q3 and Q4

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

TABLE 3: RECOMMENDATIONS ACCEPTED				
	To Date		Period	
	All	High	All	High
Total recommendations made	93	26	93	26
Rejected	1	0	1	0
Total recommendations accepted	92	26	92	26
% accepted	99%	100%	99%	100%

2 BACKGROUND

- 2.1 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

- 3.1 None

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 4.1 Accounts and Audit Regulations 2015
- 4.2 Internal Audit Plan 2017/18
- 4.3 Public Sector Internal Audit Standards (2016 update)