AUDIT COMMITTEE – 27 April 2018

Title of paper:	**INTERNAL AUDIT QUARTERLY REPORT (3rd QUARTER 2017/18)**	
Director(s)/ Corporate Director(s):	Strategic Director of Finance	**Wards affected:** ALL
Report author(s) and contact details:	Shail Shah, Head of Audit and Risk 01158764245	
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 3rd quarter 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>
<tr><th colspan="6">Table 1 : Performance v PI Targets</th></tr>
<tr><th colspan="2">Indicator</th><th>Target</th><th>Period</th><th>Actual Year</th><th>Comments</th></tr>
<tr><td>1</td><td>% of all recommendations accepted.</td><td>95%</td><td>100%</td><td>99%</td><td>Above Target</td></tr>
<tr><td>2</td><td>% of high recommendations accepted.</td><td>100%</td><td>100%</td><td>100%</td><td>On Target</td></tr>
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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	2	3	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	98%	Above Target
6	Number of key / high risk systems reviewed	12	-	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 3 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 through quarter 4.Typically this work is planned to commence at a point in the year where there is sufficient data available to test. We have reported on 5 systems and are working on the remainder.

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 the 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 Fleet Management and the NCC Response to the Casey Report,

which was positive with scope for improvement which featured minor recommendations. Our follow up of Health & Safety and our annual review of performance indicators were both assessed as Limited Assurance with a number of improvements required. As a consequence of an earlier issue around the management of capital projects, we undertook an assessment of Capital Projects within Traffic and Safety and identified considerable scope for the improvement of project management.

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.

1.5.5   Fraud and Investigations
The Internal Audit section incorporated the Corporate Counter Fraud Team (CCFT) 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.

CCFT are currently working on the National Fraud Initiative (NFI) data match between Single Persons Discounts (SPD) and Electoral Roll (ER) with a view to identifying households that should have the discount removed.

Following a successful project around 18 months ago, CCFT are also looking to revisit the area of data matching our business rate accounts with data provided by the GIS Mapping Team. This identifies properties where the council are potentially missing out on important business rates income by matching against areas including Local Land & Property Gazetteer (LLPG), workplace parking levy (WPL) and Licensing. A couple of new areas being considered for this year's exercise are commercial waste data and food hygiene ratings. CCFT hope to have the raw data to begin checking/filtering by mid-February.

The team is involved in updating and amending a new corporate fraud awareness e-learning tool. When complete it is intended to roll the tool out council-wide to ensure everyone has a basic understanding of fraud issues and a reminder of how important and relevant it is to have fraud awareness at the forefront of their minds, especially in these austere times.

1.5.6   We continue to assist in identifying and investigating fraud in Right To Buy applications and tenancies, and work with colleagues within 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.

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 concluding a review of 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	1600	On track

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	155	87	27	38
Rejected	1	0	0	0
Total recommendations accepted	154	87	27	38
% accepted	99%	100%	100%	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)