

# NOTTINGHAM CITY COUNCIL

## INTERNAL AUDIT ANNUAL REPORT AND OPINION

### 2017-18

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Date: 5 June 2018

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# **1. Introduction**

## **Internal Audit and the Annual Reporting Process**

- 1.1 The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and internal control. The Public Sector Internal Audit Standards (PSIAS) are the mandated professional standards for internal audit in local government and govern the work undertaken by the Internal Audit Service.
- 1.2 The PSIAS sets out the requirement for the Chief Audit Executive (Head of Audit and Risk) to provide an annual internal audit report with an overall opinion that can be used by the organisation to inform its governance statement. The Internal Audit Charter and the Council's Financial Regulations re-inforce this requirement.
- 1.3 The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The opinion must be supported by sufficient, reliable, and relevant information.
- 1.4 The following report provides a summary of the internal audit activity undertaken throughout the year and provides a basis for the objective assessment of the organisation's control environment to support the annual internal audit opinion.

## **Report Preparation**

- 1.5 This report draws upon a number of sources including:
  - Internal Audit Assignments, which will include prioritised audits from the Annual Audit Plan that are risk-based and unplanned work/consultancy that occurs throughout the year.
  - Discussions with senior management, including Director of Strategic Finance / Section 151 Officer.
  - Investigations into suspected fraud that may highlight fraud as well as control issues.
  - Risk & Governance which includes a review of the risk management arrangements across the council, a view on the governance arrangements in place as we undertake our work within NCC and its partners and the information gathered by us to form the Annual Governance Statement (AGS).

## **2. Head of Internal Audit Opinion 2017/18**

- 2.1 Although no systems of control can provide absolute assurance, nor can IA give that assurance, he is satisfied that, on the basis of the audit work undertaken during the 2017/18 financial year, there have been no significant issues (as defined in the CIPFA Code of Practice) reported by IA. Furthermore, on the basis of the audit work undertaken during the 2017/18 financial year, covering financial systems, risk and governance, the Head of Internal Audit is able to conclude that a reasonable level of assurance can be given that internal control systems are operating effectively within the Council, its significant partners and associated groups.
- 2.1.1 However, it is clear from the last 2 years' budget outturns that the financial control framework whilst it remains robust is under stress. We will prioritise additional activity in 2018-19 to identify issues within financial control to assist management in maintaining the effectiveness of the framework. As might be expected in an era of frequent change, reorganisations and cuts, our audits have highlighted system weaknesses in some areas and compliance issues. We will aim to review key areas of compliance during 2018-19.

## **3. Basis of Assurance for the Annual Audit Opinion**

### **3.1 Confirmations – Resources and Limitations of Scope**

- 3.1.1 Members of the team hold various qualifications including ACCA, AAT and PINS. Colleagues participated in personal development reviews and most received a minimum of three days training. The 2017/18 audit plan contained 2157 days and I am satisfied that there were adequate staffing resources available to me to deliver the plan.
- 3.1.2 The PSIAS require that the Head of Audit and Risk must confirm to the Audit Committee at least annually regarding the organisational independence of the internal audit activity. The Internal Audit Charter and the council's Financial Regulations re-inforce this requirement.

- 3.1.3 The Charter specifies that the Head of Audit and Risk must report to a level within the council that allows internal audit to fulfil its responsibilities. Appropriate reporting and management arrangements are in place within NCC that preserve the independence and objectivity of the Head of Audit and Risk who has direct reporting access to the Chief Executive, the Chair of the Audit Committee and all councillors, as he considers appropriate.
- 3.1.4 The reporting and management arrangements in place are appropriate to ensure the organisational independence of the internal audit activity. Robust arrangements are in place to ensure that any threats to objectivity are managed at the individual auditor, engagement, functional and organisational levels. Nothing has occurred during the year that has impaired my personal independence or objectivity nor has there been any inappropriate scope or resource limitations.

## **3.2 Review of the Year**

### **Reports to Audit Committee**

- 3.2.1 An important part of the IA service is to inform the Audit Committee about the adequacy of the Council's governance and internal control systems and an important role of the Committee is to oversee the performance of the IA service. The following summarises the information the Committee has received from the Head of Internal Audit during the last year.
- Annual Governance Statement and Update
  - Updates for Review of Best Practice for Companies Governance
  - Internal Audit Quarterly Reports
  - Internal Audit Reports Selected for Examination
  - Role of Audit Committee and Work Programme
  - Internal Audit Charter
  - Internal Audit Annual Report
  - Internal Audit Annual Plan
  - East Midlands Shared Services (EMSS) Annual Report and Head of Audit & Risk Assurance
  - Counter Fraud Strategy
  - Audit Committee Terms of Reference and Work Plan

- Committee Member training

### Local performance Indicators

3.2.2 The table below illustrates how the service has met its key quality and output objectives reflected in its Charter and agreed by the Committee.

TABLE 2: PERFORMANCE OUTTURN				
Indicator		Target	Actual Year	Comments
1.	% of all recommendations accepted	95%	100%	Above Target
2.	% of high recommendations accepted	100%	100%	
3.	Average number of working days from draft agreed to the issue of the final report assurance	8 days	3 days	Above Target
4.	Number of key / high risk systems reviewed	11	11	Achieved
5.	% of colleagues receiving at least three days training per year	100%	82%	
6.	% of customer feedback indicating good or excellent service	85%	98%	Above Target

## 2017/18 Audit Plan

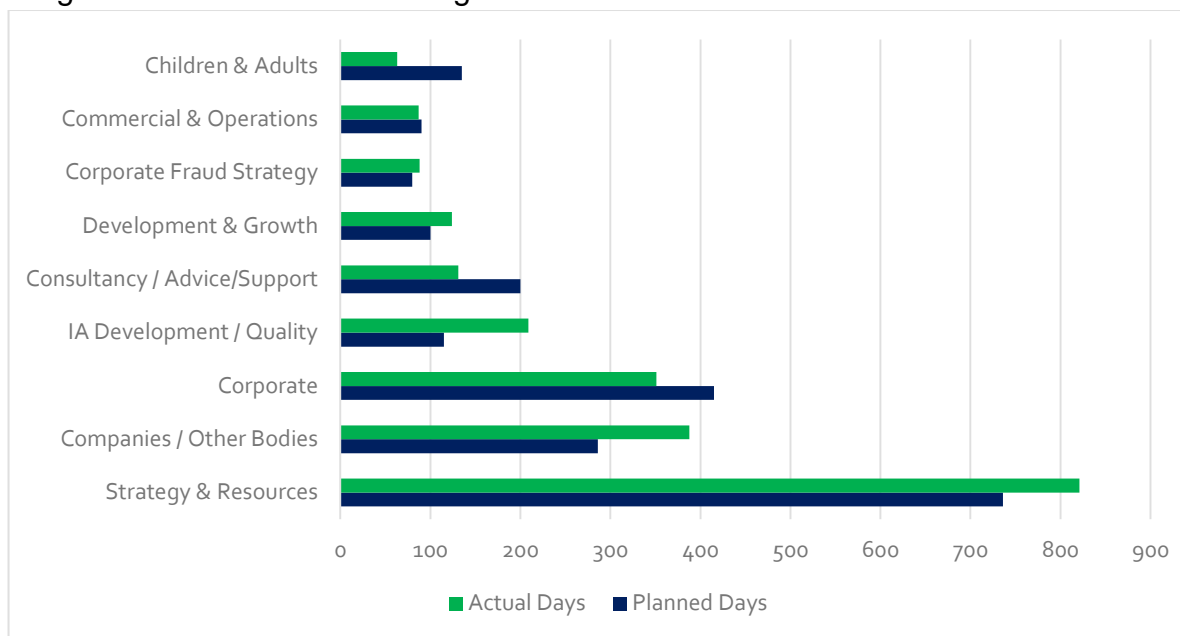
- 3.2.3 The Audit Plan and quarterly monitoring reports were presented to the Committee throughout the year, detailing progress against the Plan. The details of the audits finalised in quarter 4 are provided within appendices A and B and a list of all finalised audit reports are provided in Appendix D.
- 3.2.4 The final outturn for 2017/18 is summarised in the table below that shows the outturn against planned resources. This illustrates that there was no significant variation from plan endorsed by the Committee.

Internal Audit Plan against Actual

<b>Audit Title</b>	<b>Planned Days</b>	<b>Actual Days</b>
<b>Strategy &amp; Resources</b>	736	821
<b>Companies / Other Bodies</b>	286	388
<b>Corporate</b>	415	351
<b>IA Development / Quality</b>	115	209
<b>Consultancy / Advice/Support</b>	200	131
<b>Development &amp; Growth</b>	100	124
<b>Corporate Fraud Strategy</b>	80	88
<b>Commercial &amp; Operations</b>	90	87
<b>Children &amp; Adults</b>	135	63
<b>Total Days</b>	<b>2157</b>	<b>2262</b>

- 3.2.5 The audit coverage across all clients/areas is shown in the following diagram:

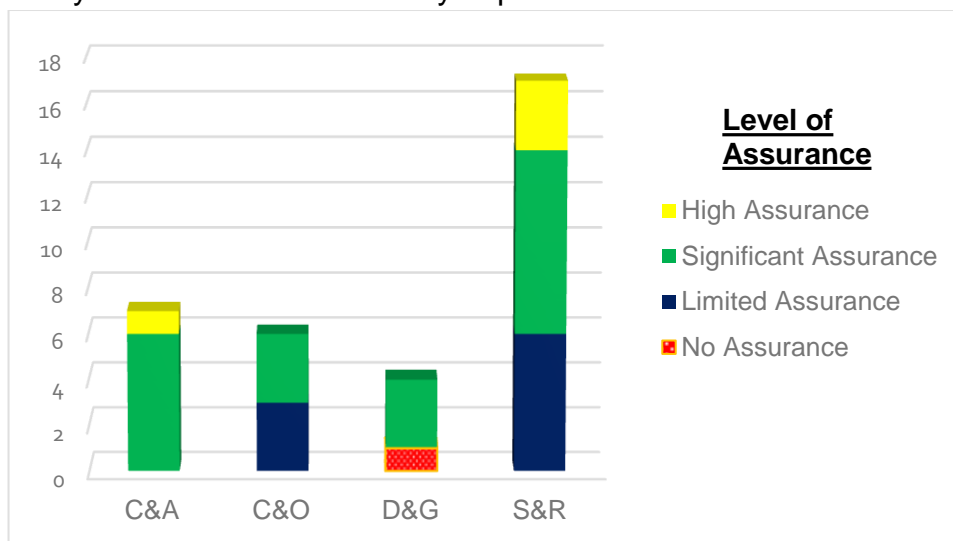
**Diagram 1 Internal Audit Plan against Actual**



### **Levels of Assurance Given in Audit Reports**

3.2.6 The committee sees details of all reports, levels of assurance and the associated recommendations as part of its annual work programme. The levels of assurance are attached to each report and they range from 'No Assurance' to 'Significant Assurance'; these are defined in Appendix F. Below is an analysis of the reports issued to Corporate Directors during the year.

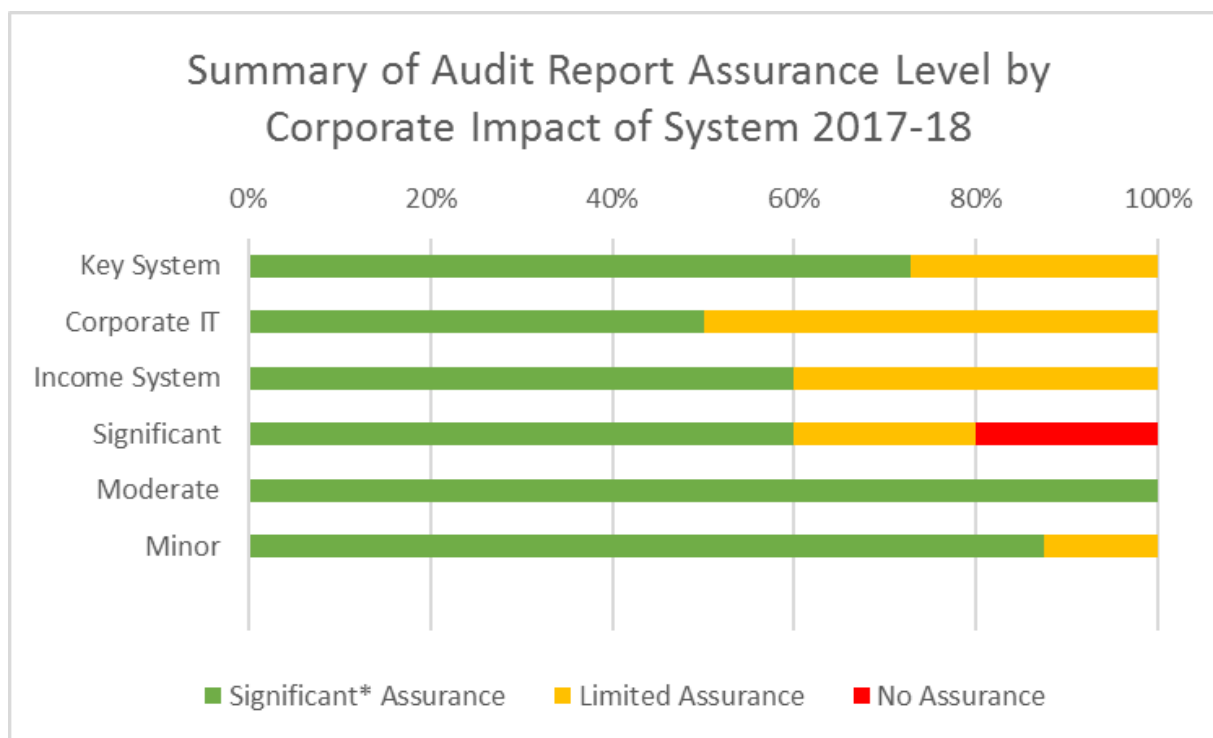
### Analysis of assurance levels by department



3.2.7 During the year, we have audited one area that resulted in a 'No Assurance' opinion where we have highlighted weaknesses that may present a risk to the council. We provided a summary of this audit report to the Committee in February 2018, within which we provided a number of recommendations to improve the arrangements in place. Although significant to the specific control environment in place for the individual system that has been audited, these weaknesses are not material enough to have a significant impact on the overall opinion on the adequacy of the council's governance, risk management and control arrangement at the year end.

3.2.8 We have also analysed the outcomes by corporate impact as shown below in order to contribute to the Head of Audit & Risk's opinion.





### 3.3 Key Financial & Other Key Systems

#### Key Financial Systems

- 3.3.1 The opinion of the Head of Audit and Risk is informed significantly by the results of the audits of the council's key financial systems. Our reviews of the key financial systems and other financial control audits support the opinion. The coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice.

## **Procurement**

- 3.3.2 We have carried out a review of the procurement arrangements both centrally and within directorates. The review concentrated on adherence to EU legislation and the Council's Financial Regulations / Contract Procedure Rules (CPR's). The review indicated that improvements are required by departments to ensure that up to date market testing occurs and that adherence to the corporate regulations and rules occurs to provide assurance that value for money is being obtained.
- 3.3.3 We have completed a review of the use of the council's corporate purchasing card with a view to ensuring that users comply with the requirements to use the cards appropriately and that transactions are recorded and approved correctly. The results indicated that a proportion of users are not complying with the requirements for cardholders / authorisers, which creates additional work and may affect the recovery of VAT.

## **Risk Management**

- 3.3.4 We recently issued our draft report on Risk Management; this indicates that the organisation needs to embed risk management across the organisation and to provide resources to allow this to occur.

## **Information Governance / ICT**

- 3.3.5 The Council is dependent on information and technology to deliver its services and our work has been targeted to provide assurance over the areas of greatest risk.
- 3.3.6 Our work on the management of IT assets (hardware/software) indicated that whilst there are sound controls over the receipt, allocation and disposal of IT stock, there is a lack of information and control over assets once they have been issued.
- 3.3.7 Our review of the system to manage the software change process indicated that it was well-managed.

- 3.3.8 We followed up on the recommendations made in a previous IT Security Report and considered access controls relating to partner organisations and 3<sup>rd</sup> parties. The latest position highlighted the need to improve the take-up of training by colleagues.
- 3.3.9 The Council's arrangements for Cyber Security have recently been reported upon. We have highlighted a number of areas for improvement including the need for an Assurance Framework, an appropriate strategy, improved controls and a review of the budget available to recover from a cyber-related incident.
- 3.3.10 We have taken an initial view on the current ICT Governance arrangements in place. It is our view that there is room for improving the governance framework in place including enhancement of the ICT Strategy, reporting of risk and performance and monitoring of ICT investment.

### **Performance**

- 3.3.11 Each year we undertake a review of a selection of corporate performance indicators that underpin the Council's Plan. This review highlighted the need to improve the quality checking / approval process and the need to report progress externally.

### **3.4 Other Risk Based Audits**

- 3.4.1 We have completed a review of Property Acquisitions which included the Investment Strategy, risk management and adherence to the process. Our review demonstrated that there was effective control over the acquisitions process but scope for improving the governance and risk management arrangements.
- 3.4.2 We have undertaken review of the Council's recruitment and staff retention arrangements. This has provided good results in respect of the adherence to policies and procedures but has highlighted the need to improve the take up of training by managers.

### **3.5 Grants**

- 3.5.1 Over time, there has been an increasing requirement for our involvement in the sign-off of grants which is reflected in the Audit Plan. Over 2017/18 a number of grant certifications were subject to routine sign off by Internal Audit and we have undertaken a review of EU Funding. There are no significant issues to report.

### **3.6 Fraud and Whistleblowing**

- 3.6.1 Internal Audit includes a Corporate Counter Fraud Team (CCFT) that was established to investigate suspected financial irregularities, conduct pro-active fraud exercises and ultimately, save the council money.
- 3.6.2 The team has a cashable income/savings target of £400,000 for 2017/18, which was exceeded. During 2017/18, CCFT undertook several proactive exercises in relation to Business Rates including charitable reliefs, listed buildings, void/empty properties and retail parks, which resulted in an increased liability of over £824,000.
- 3.6.3 The team has carried out a further exercise looked at every request for a single person discount (SPD) for Council Tax from citizens where the request asked for SPD to be granted back over 6 months. These investigations have has resulted in increased council tax liability of £60,000.
- 3.6.4 CCFT works with partners, for example, assisting Nottingham City Homes (NCH) in relation to tenancy fraud issues and the vetting of the applications to the Council's Right to Buy Team. This work has resulted in many properties being reclaimed by NCH and stopped several fraudulent RTB applications. Estimated savings are in the region of £96,000.
- 3.6.5 The proactive work includes responding to the National Fraud Initiative (NFI) outputs, which are the result of data matching specific sets of data. This process prompts investigations and where appropriate prompts discussions regarding systems weaknesses and the potential for fraud.
- 3.6.6 Internal Audit acts as a first point of contact for most whistleblowing concerns and supports the Council's Monitoring Officer who is ultimately responsible for managing the complaints received.

- 3.6.7 We assess all reported irregularities or whistleblowing concerns that are consequently investigated by ourselves, the relevant directorate or HR colleagues, as appropriate.

### **3.7 Follow-Up of Recommendations**

- 3.7.1 The Committee sees summaries of all reports issued and the associated recommendations as part of its quarterly review of IA performance. Systems are in place to monitor these recommendations, and those outstanding beyond their target date are reported to the responsible colleague nominated in the agreed action plans for their follow up. Our programme of activity to follow-up recommendations during 2017-18 year has identified a good response from client departments.

### **3.8 External and Other Assurance Providers**

- 3.8.1 We have reviewed information from external providers of assurance during 2017/18 and identified further requirements in order to be able to assess the assurance concerns identified. These are found within Appendix E.
- 3.8.2 NCC wholly owned companies have been audited with respect to 2016/17 and are currently being audited for 2017/18. We rely upon the assurance provided and where appropriate follow up any issues identified.
- 3.8.3 During the year we were commissioned by the Audit Committee to identify best practice of governance in respect of NCC companies. Consultations have included s151 Officer and Corporate Leadership Team (CLT). We would expect to be completing more work in this area during 2018/19.
- 3.8.4 Corporate Directors and statutory officers have provided an assurance statement supporting the AGS for 2017/18. These statements have been supplemented by assurance gathered from key colleagues responsible for Internal Audit, Risk, Human Resources, significant partnerships and group members, and have also been informed by independent external reviews, including those carried out by the external auditor. The assurance is based around questionnaires developed from the CIPFA/SOLACE Framework for Corporate Governance. As a result of the review of the effectiveness of the governance framework, the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

### **3.9 Changes to Internal Audit Plan**

3.9.1 There have been no major changes to the Audit Plan during the year.

## **4. Quality Assurance & Improvement Plan**

- 4.1.1 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.
- 4.1.2 The Public Sector Internal Audit Standards (PSIAS) introduced a mandatory requirement for an external assessment of an organisation's internal audit function, which has to be completed once every five years by a qualified, independent reviewer from outside of the organisation. We completed a detailed self-assessment against the requirements of the standards, after which Birmingham City Council completed an external assessment in March 2017 and concluded that the section "mostly conforms to the requirements of the PSIAS." In 2017/18 we have re-run our self-assessment and concluded that the section mostly conforms with the requirements of the PSIAS.
- 4.1.3 The report produced by the team from Birmingham City Council was finalised with an agreed action plan. The recommendations from this report, along with improvements highlighted by our own self-assessment were combined into an Improvement Plan. We have been working on the requirements of the Improvement Plan during 2017/18 and to date we have no areas of non-conformance with the standards. We will continue to work on the following areas, that feature partial-conformance, throughout 2018/19:
- Audit Planning (further assurance mapping / develop greater use of other sources of assurance)
  - Assessment of NCC's risk management processes (subject to improvement of risk management arrangements)
  - Audit of outside organisations (development of protocol)
  - Annual Internal Audit Report (further development of reporting)

- Documentation (consistency/retention)

- 4.1.4 Actions that still require improvement include the need for an Assurance Framework to be developed by the Council and reported to the Audit Committee. The requirement for the framework has been raised with some key service areas during the year and expect them to report to the Audit Committee at a later date. This is a work in progress and we will continue to encourage the organisation and its constituent parts to formalise their assurance arrangements.
- 4.1.5 The service has met the requirements of the Accounts and Audit Regulations 2015 and associated regulations in respect of the provision of an IA service.

## **5. Internal Audit Plan 2018-19**

- 5.1.1 The number of days allocated in the plan to provide the Head of Internal Audit with the necessary evidence for the opinion on the control environment is 2302, which includes the resources required to provide internal audit services to external clients. A summary of the IA Plan for 2018/19 is provided in Appendix C of this report.
- 5.1.2 As with previous years, the plan was compiled in consultation with stakeholders across the council and has taken into account our professional judgement, our assessment of risk and the requirements of external auditors. The plan is centered on the need to align audit activity to Council objectives and to meet the requirements of effective corporate governance, including the Annual Governance Statement (AGS).

**Final Audit Reports issued 1<sup>st</sup> January to 31<sup>st</sup> March 2018**


**Appendix A**

Department	Division	Activity	Level of Assurance	Accepted recommendations		
				High	Medium	Low
C&A	Education	Haydn Road Primary School	Significant	0	2	1
		Troubled Families Grant 2016-17	Significant	0	0	1
C&A Total				0	2	2
C&O	Sports, Culture & Parks	Libraries Income	Significant		1	1
		Nottingham Castle	Limited	1	1	0
C&O Total				1	2	1
D&G	Economic Development	Nottingham Jobs Fund	Significant	0	1	0
D&G Total				0	1	
S&R	Org.Transformation	Recruitment & Retention	Significant	2	6	1
	Strategic Finance	Bank Reconciliation	Significant	0	2	2
		Council Tax	Significant	0	7	6
		Highfields & Harvey Hadden year ended Mar 2017	Charity account	0	0	0
		Main Accounting	High	0	0	0
		NCC Payroll Testing	Significant	1	1	0
		Treasury Management	Significant	0	1	3
		NNDR	Limited	1	12	5
Strategy and Resources Total				4	29	17
Grand Total				5	34	20

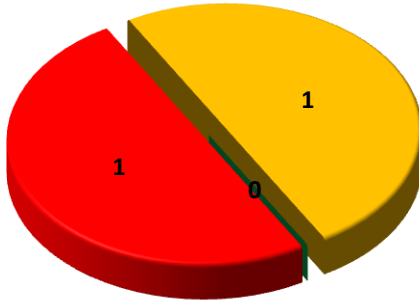


## Nottingham Castle Transformation

### Executive Summary

Organisation: Nottingham City Council Directorate: Commercial & Operations Previous review: No previous review	<b>Overall Opinion:</b> <b>Limited Assurance</b> 	Direction of Travel: Not applicable
<u>Scope and Approach:</u> The objective of this review is to assess the controls in place relating to the relocation of the collections and to provide management with an independent opinion of the effectiveness of these controls.		
<b>High Priority Recommendations</b>  R1 We understand that work required by the Council's specialist insurer has not yet been completed and that the Museums Service does not yet have full possession of the new units for storage of the Collections.		

**Summary of the recommendations by priority**



Priority	Count
High	1
Medium	1
Low	0

## Recruitment and Retention 2017-18

### Executive Summary

<div>Organisation: Nottingham City Council</div> <div>Directorate: Human Resources &amp; Transformation</div>	<div>Overall Opinion:</div> <div>Significant Assurance<div></div></div>	<div>Direction of Travel:</div> <div></div>
<div>Previous review: October 2016</div>	<div>Scope and Approach:</div> <div><div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div>Follow up of previously raised recommendations</div><div>Policies and procedures are compliant with regulations and fit for purpose</div><div>HR recruitment and retention processes are effective and operating as intended</div><div>Recruitment is delivering against wider initiatives, for example in relation to diversity and anti-discriminatory policies</div><div>The Council's arrangements to attract and retain talent, including an assessment of the staff reward, appraisal structures, succession planning and training opportunities</div><div>Employees' records are kept complete, up-to-date and secure from unauthorised access</div></div></div>	
<div>High Priority Recommendations</div> <div><div>R5</div><div><div>Hiring Managers should ensure that evidence of the decision making process is available.</div><div>Interview notes should be always signed, fully completed and retained for the period of 12 months.</div><div>Evidence demonstrated by the candidate at the test and interview stages should be objectively assessed, by each panel member independently, assigned the appropriate rating and recorded on the summary sheet.</div></div></div> <div><div>R9 -</div><div>R &amp; R should monitor the completion of the required training for new starters.</div><div>Health &amp; Safety training should be listed as mandatory on the Learning Zone, and completion should be corporately monitored.</div></div>		

Summary of the recommendations by priority

High	Medium	Low
2	7	1

## Payroll 2017/18

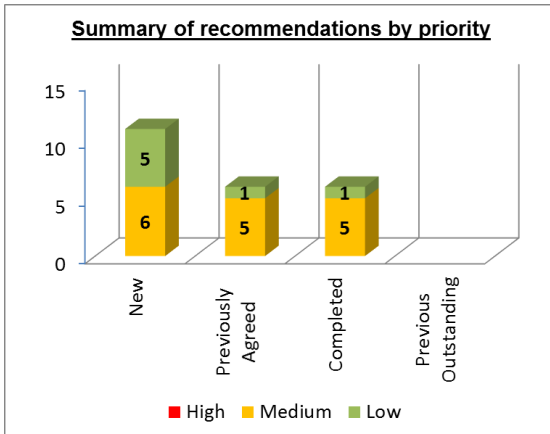
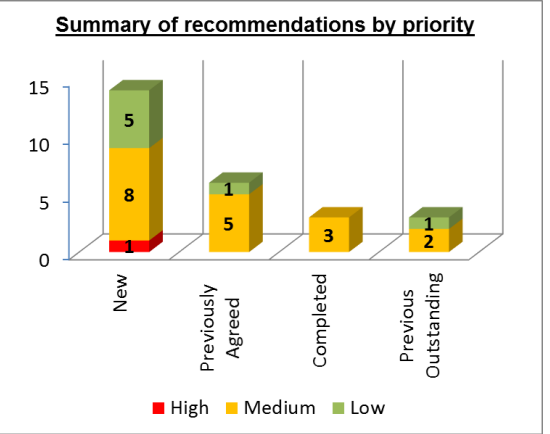
### Executive Summary

<div>Organisation: Nottingham City Council</div> <div>Directorate: Strategy &amp; Resources</div>	<div>Overall Opinion:</div> <div>Significant Assurance<div></div></div>	<div>Direction of Travel:</div> <div>No Change<div></div></div>
<div>Previous review:</div> <div>HR &amp; Payroll 2016/17</div> <div>HR &amp; Payroll 2015/16</div>	<div>Scope and Approach: This review considered the following aspects:</div> <div><div></div><div>Input and authorisation of casual employee payments</div><div>Periodic verification of establishment</div><div>Follow up of previous recommendations</div></div>	
<div>High Priority Recommendations</div> <div>No Recommendations were made and all previous recommendations have been completed</div> <div><div><div><div>Summary of recommendations by priority</div><div><div><div></div><div></div><div></div></div><div><div>2</div><div>1</div><div>0</div></div><div><div>New</div><div>Previously Agreed</div><div>Completed</div><div>Previous / Outstanding</div></div></div><div><div><div>High</div><div>Medium</div><div>Low</div></div></div></div></div></div>		

## Council Tax and Business Rates



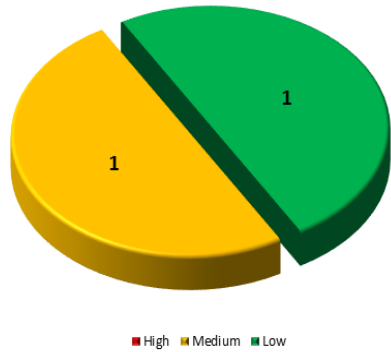
### Executive Summary

<p>Organisation: Nottingham City Council</p> <p>Directorate: Strategy &amp; Resources</p> <p>Previous reviews:</p> <p>May 2016</p>	<p>Overall Opinion:</p> <p>Council Tax - <b>Significant Assurance</b></p> <p>Business Rates</p> <p><b>Limited Assurance</b></p>	<p>Direction of Travel:</p> <p>Council Tax - No change</p> <p>Business Rates</p> <p>Deteriorates</p>
<p><u>Scope and Approach:</u></p> <ul style="list-style-type: none"><li>• The 2015-16 close-down process and transfer of balances to new year</li><li>• Opening debit for 2016-17</li><li>• Review the timetable for reviewing discounts and exemptions</li><li>• Review of in year write-offs</li><li>• Reconciliation of Council Tax and NNDR to cash receipting and to the ledger</li><li>• The effectiveness of NNDR property inspections taking into account the potential for increases in income.</li><li>• NRB contract management</li></ul>		

<p>High Priority Recommendations</p> <p>1. Management should install and promote a rigorous and robust regime over the inspection process to enable the Council to benefit from increased income as highlighted by the CCFT investigations.</p>	<p>Council Tax</p> <p><u>Summary of recommendations by priority</u></p>  <table><tr><th>Category</th><th>High</th><th>Medium</th><th>Low</th></tr><tr><td>New</td><td>0</td><td>6</td><td>5</td></tr><tr><td>Previously Agreed</td><td>0</td><td>5</td><td>1</td></tr><tr><td>Completed</td><td>0</td><td>5</td><td>1</td></tr><tr><td>Previous Outstanding</td><td>0</td><td>0</td><td>0</td></tr></table>	Category	High	Medium	Low	New	0	6	5	Previously Agreed	0	5	1	Completed	0	5	1	Previous Outstanding	0	0	0	<p>Business Rates</p> <p><u>Summary of recommendations by priority</u></p>  <table><tr><th>Category</th><th>High</th><th>Medium</th><th>Low</th></tr><tr><td>New</td><td>1</td><td>8</td><td>5</td></tr><tr><td>Previously Agreed</td><td>0</td><td>5</td><td>1</td></tr><tr><td>Completed</td><td>0</td><td>3</td><td>0</td></tr><tr><td>Previous Outstanding</td><td>0</td><td>2</td><td>1</td></tr></table>	Category	High	Medium	Low	New	1	8	5	Previously Agreed	0	5	1	Completed	0	3	0	Previous Outstanding	0	2	1
Category	High	Medium	Low																																							
New	0	6	5																																							
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Completed	0	3	0																																							
Previous Outstanding	0	2	1																																							


## Haydn Primary & Nursery School

### Executive Summary

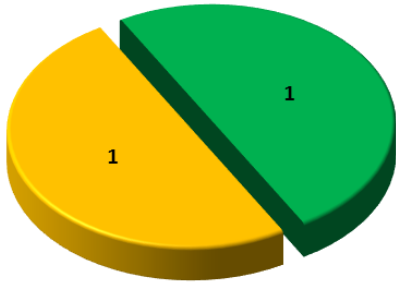
<p>Organisation: Haydn Primary &amp; Nursery School</p> <p>Date of Review: 22 March 2017</p> <p>Summary: We consider that the arrangements in place within the school are satisfactory and provide sound systems of control. Only two recommendations have been made in this report. It is noted that most of the recommendations made are of minor points and that overall the School has very good procedures in place.</p>	<p>Overall Opinion</p> <p><b>Significant Assurance</b> </p> <p>Direction of Travel:</p> <p>Previous Audit Report 1 April 2014 Significant Assurance </p>
<p>Scope and Approach: 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, Single Status, Website</p>	
<p>High Priority Recommendations:</p> <p>None to report</p>	<p><u>Summary of the recommendations by priority</u></p>  <p>■ High ■ Medium ■ Low</p>

## Libraries Income

### Executive Summary

<p>Organisation: Nottingham City Council</p> <p>Directorate: Commercial &amp; Operations</p>	<p>Overall Opinion:</p> <p><b>Significant Assurance</b></p> 	<p>Direction of Travel:</p> <p>N/A</p>
<p>Previous review: There has not been a review in this area for some time.</p>	<p><u>Scope and Approach:</u> This review considered the following aspects:</p> <ul style="list-style-type: none"><li>• Review processes and written guidance relating to income</li><li>• Review records of income received / invoiced</li><li>• Review reconciliations of income received to receipt into bank</li><li>• Review debt management records</li></ul>	
<p>High Priority Recommendations:</p> <p>There are none to report</p>		



**Summary of the recommendations by priority**



Priority	Count
High	1
Medium	1
Low	1

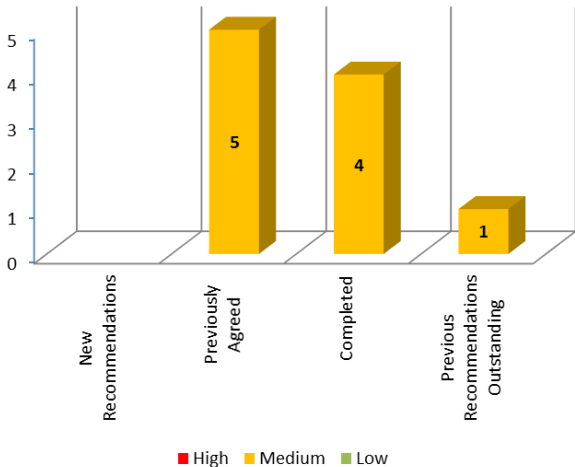
## Nottingham Jobs Fund

### Executive Summary

Organisation: Nottingham City Council Directorate: Economic Policy & Partnerships  Previous reviews: Nottingham Jobs Fund 2016/17 24 October 2016	Overall Opinion: <b>Significant Assurance</b> 	Direction of Travel: 
	<u>Scope and Approach:</u> Follow up of the recommendations made in the 2016/17 report	

High Priority Recommendations.  
None to report.

**Summary of recommendations by priority**





Category	High	Medium	Low
New Recommendations	0	0	0
Previously Agreed	0	5	0
Completed	0	4	0
Previous Recommendations Outstanding	0	1	0

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## Bank Reconciliation 2017-18

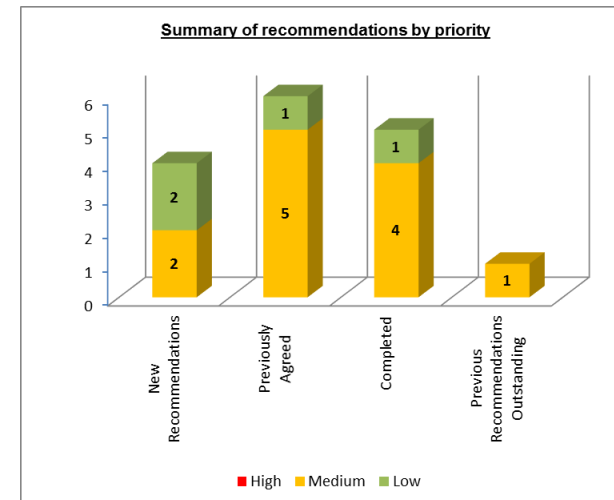
### Executive Summary

<p>Organisation: Nottingham City Council Department: Strategy &amp; Resources</p> <p>Previous review: Bank Reconciliation 2016-17 (22<sup>nd</sup> February 2017)</p>	<p>Overall Opinion:</p> <p><b>Significant Assurance</b> </p>	<p>Direction of</p> <p></p> <p>Level:</p> <p><b>No Change</b></p>
	<p><u>Scope and Approach:</u> This review considered the following aspects of the bank reconciliation process:</p> <ul style="list-style-type: none"> <li>• The reconciliation of the General Bank Account, Oracle BACS, Oracle Cheques, NCC GDBC and CIVICA Paying in Slip Control</li> <li>• Management and review of automated income management system (Civica)</li> <li>• Follow up of recommendations raised during 2016/17 Internal Audit review</li> </ul>	





## High Priority Recommendations

There are no high priority recommendations



## Main Accounting 2016/17



### Executive Summary

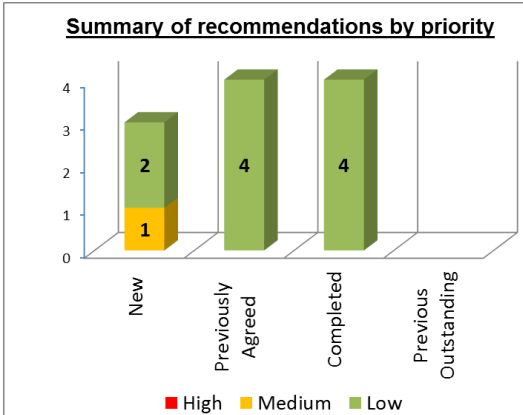
<p>Organisation: Nottingham City Council Directorate: Strategy and Resources</p> <p>Previous reviews: Main Accounting 2015 3 November 2015</p>	<p>Overall Opinion:</p> <p><b>High Assurance</b></p> 	<p>Direction of Travel:</p> <p>There has been no material change in the level of control since our last review</p> 
	<p><u>Scope and Approach:</u></p> <p>The scope for this audit review was as follows:-</p> <ul style="list-style-type: none"> <li>Review documentation of the systems and controls in place, ensuring that the controls are adequate to mitigate the main risks.</li> <li>A review of the work carried out by the Central Finance Team,</li> </ul>	

	<p>including the supporting processes in respect of ledger and interface integrity monitoring</p> <ul style="list-style-type: none"> <li>• The processes operated by departmental finance staff in respect of journal input.</li> <li>• The expectations of NCC external auditors in terms of expected key controls</li> </ul>
<p>High Priority Recommendations:</p> <p>None to report</p>	

## Treasury Management

### Executive Summary

<p>Organisation: Nottingham City Council</p> <p>Directorate: Strategy &amp; Resources</p>	<p>Overall Opinion:</p> <p><b>Significant Assurance</b> </p>	<p>Direction of</p> <p>T r a vel: </p>
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<p>Previous review:</p> <p>12<sup>th</sup> May 2017</p>	<p><u>Scope and Approach:</u></p> <p>The scope of this review will consider the following aspects of the system:</p> <ul style="list-style-type: none"><li>• Treasury Management complies with the legislation and CIPFA Code of practice to include borrowing and lending activities</li><li>• The existence of an agreed Treasury Management strategy that follows CIPFA Treasury management code</li><li>• A review of current processes to ensure the Treasury Management strategy is complied with</li><li>• A review of Treasury Management activities to ensure that they are correctly recorded in the accounts</li><li>• A review of the Investment Strategy including debt repayment</li><li>• A review of prudential indicators and limits</li><li>• A review of controls in place to ensure that investment opportunities are appropriately identified and a sound authorisation process is applied.</li><li>• The existence and coverage of fidelity guarantees for all appropriate staff.</li></ul>																				
<p>High Priority Recommendations</p> <p>None</p>	<p><u>Summary of recommendations by priority</u></p>  <table><thead><tr><th>Category</th><th>High</th><th>Medium</th><th>Low</th></tr></thead><tbody><tr><td>New</td><td>1</td><td>2</td><td>0</td></tr><tr><td>Previously Agreed</td><td>0</td><td>0</td><td>4</td></tr><tr><td>Completed</td><td>0</td><td>0</td><td>4</td></tr><tr><td>Previous Outstanding</td><td>0</td><td>0</td><td>0</td></tr></tbody></table>	Category	High	Medium	Low	New	1	2	0	Previously Agreed	0	0	4	Completed	0	0	4	Previous Outstanding	0	0	0
Category	High	Medium	Low																		
New	1	2	0																		
Previously Agreed	0	0	4																		
Completed	0	0	4																		
Previous Outstanding	0	0	0																		

Audit Title	Planned
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	Days
<b>Governance</b>	180
<b>Organisation</b>	85
<b>Key Financial Systems</b>	126
<b>Procurement &amp; Projects Programme Management</b>	290
<b>Big Ticket / Risk Based Service Reviews</b>	205
<b>Compliance / Challenge</b>	265
<b>ICT and Information Governance</b>	106
<b>Counter Fraud</b>	380
<b>Corporate Fraud Strategy</b>	100
<b>Companies / Other Bodies</b>	305
<b>Consultancy, Advice and Support</b>	140
<b>Development , Redesign &amp; Quality</b>	120
<b>Total Days</b>	<b>2302</b>

**Final Audit Reports Issued During 2017-18****Appendix D**

Title	Level of Assurance
Budgetary Control	High*
*Hempshill Hall Primary School	High*
Main Accounting 2016-17	High*
Treasury Management 2016-17	High*
Accounts Receivable	Significant
Bank Reconciliation 2017-18	Significant
Change Management 2017	Significant
Corporate Maintenance Follow-Up	Significant
Council Tax 2016-17	Significant
EU Projects	Significant
Haydn Road Primary School	Significant
IT - Mobile Phones	Significant
Libraries Income	Significant
Meals at Home	Significant
NCC Payroll Testing 2017-18	Significant
NCC Response to the Casey Report	Significant
NCC Response to the Casey Report (Schools)	Significant
Nottingham Jobs Fund	Significant
Nottingham Nursery School	Significant
Parking Services	Significant
Recruitment & Retention	Significant
Right to Buy	Significant
Treasury Management 2017-18	Significant

Title	Level of Assurance
<b>Troubled Families Grant 2016-17</b>	Significant
<b>Westglade Primary School</b>	Significant
<b>Fleet Management</b>	Limited
<b>Health &amp; Safety Follow-Up</b>	Limited
<b>Income Collection 2017</b>	Limited
<b>IT Asset Management 2016</b>	Limited
<b>IT Security - Compliance &amp; Environmental Controls</b>	Limited
<b>Nottingham Castle</b>	Limited
<b>Performance KPIs</b>	Limited
<b>Procurement 2017</b>	Limited
<b>Procurement Card 2016-17</b>	Limited
<b>Traffic &amp; Safety Capital Projects</b>	No Assurance
<b>Disabled Facilities Grant</b>	Grant
<b>Grant - BSOG Reform Better Bus Areas</b>	Grant
<b>Grant - LA Bus Subsidy Ring-Fenced (Revenue)</b>	Grant
<b>Grant - Local Transport Grant</b>	Grant
<b>Growth Point 2016-17 Audit</b>	Grant

## External Assurances

## Appendix E

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
CMA – Adult Social Care:	National: Indicates medium to long term sustainability issues	Identified activity in Procurement
CQC – Adult Social Care:	National: Nursing care shortage [increased up to 10% in Nottingham and Derby Apr15-17 but decreased up to 10% in surrounding counties]  Potential for fines for delayed transfer of care (nationally these are increasing) – partner relationships impacted  Rising staffing vacancy and turnover levels in adult social care	Some gaps confirmed by Procurement – Market Development reviewing  ASC transformation and work with the STP to reduce this risk  Procurement confirmations: Nottingham Jobs care workstream. Annual pricing review incorporates recruitment and retention. Commissioning models aim to maximise recruitment and retention.
Ofsted - Integrated Children's Services	National: Ofsted identifies requirements for social work to flourish and future arrangements for inspecting local authorities	This assurance is managed through the annual conversation with Ofsted. NCC participated in pilot inspection in 2017. A good assurance framework exists in this area.
SOCITM - ICT	National: Local Government Cloud Adoption in 2018 Cyber Guide June 2017 Policy briefing Shared service reports	We have a robust programme of work in this area to respond to best practice and developing concerns

### Levels of Assurance

We use three categories to classify Internal Audit assurance over the processes examined, these are defined as follows:

<b>Significant Assurance</b>	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls may put the achievement of particular objectives at risk.
<b>Limited Assurance</b>	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
<b>No Assurance</b>	No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

Where appropriate we may also comment on the level of assurance we can give that objectives will be met. This may apply when there are risks either partially or wholly outside of the control of management.

### Categorisation of Recommendations

<b>High Priority</b>	A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
<b>Medium Priority</b>	A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
<b>Low Priority</b>	The audited body is not exposed to any significant risk, but the recommendation merits attention.