

## AUDIT COMMITTEE – 30 November 2018

<b>Title of paper:</b>	<b>INTERNAL AUDIT HALF YEARLY REPORT 2018/19</b>	
<b>Director(s)/ Corporate Director(s):</b>	Laura Pattman Strategic Director of Finance	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Shail Shah Head of Audit and Risk 0115 8764245 shail.shah@nottinghamcity.gov.uk	
<b>Other colleagues who have provided input:</b>		
<b>Recommendation(s):</b>		
<b>1</b>	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 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2018/19.

- 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 2018/19

#### **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.

#### **1.3 Local Performance Indicators (PIs)**

Performance against 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%	100%	On Target
2	% of high recommendations accepted.	100%	100%	100%	On Target

<b>Table 1 : Performance v PI Targets</b>					
<b>Indicator</b>		<b>Target</b>	<b>Period</b>	<b>Actual Year</b>	<b>Comments</b>
3	Average number of working days from draft agreed to the issue of the final report	8 days	2	2	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	100%	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 2018/19. 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 2018/19 key financial 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.

##### 1.5.2

###### **Schools**

This year we are planning themed audits across City schools as an alternative to individual schools audits. The themes covered will include procurement and the Schools Financial Value Standard. We perform the responsible officer role at two academies.

##### 1.5.3

###### **Compliance and Risk-Based Audits**

We complete compliance and risk based audits across the organisation and have completed several income focussed audits and a series of grants audits during the early part of the year. During 2018-19 we have reported on Property Acquisitions –

as noted by the service in a previous meeting this year. We are pleased to report that the service has taken a constructive approach to our report resulting in progress which we will report as part of our quarter 3 report.

#### 1.5.4 Governance and Ethics

We have undertaken a process to update the Annual Governance Statement for 2017/18. 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.

Over the last year we have been identifying best practice in governance of companies and supporting the Section 151 Officer in bringing forward proposals for improvements in the Council's company oversight and shareholder activities.

We have undertaken work across a number of audits in the last 2 years to ensure that appropriate assurance reporting exists, and as a result new assurance reports will be brought to Audit Committee during 2018-19.

We have completed an audit of Councillor Allowances during the first half of the financial year and have further governance audits planned during the remainder of the year.

We are currently working to update the Council's Counter Fraud Strategy to incorporate Whistleblowing and update for legislative and other changes. The updated strategy will be brought to a future meeting of this committee

#### 1.5.5 Fraud and Investigations

The Internal Audit section established the Corporate Counter Fraud Team (CCFT) during 2015/16 with a view to identifying additional income and savings for the Council.

CCFT are the Council's key contact for the National Fraud Initiative (NFI) data match which involves organising and submitting the required datasets from numerous service areas and coordinating the review and reporting to the NFI of the matching data. NCC are the lead authority in the Midlands for the NFI business rates pilot. This is ongoing but has already identified additional rating income.

During 2018-19, CCFT have been carrying out matching between Single Persons Discounts (SPD) and Electoral Roll (ER) with a view to identifying households that should have the discount removed. The team also receives and investigates referrals from Council Tax teams regarding SPD.

Following previous successes, CCFT are also data matching NCC business rate accounts with data provided by the GIS Mapping Team. 9 properties have been brought into rating so far this year as a result of CCFT work. The team is also involved in a review of charitable rating reliefs as well as proactive observation and investigation of rateable properties.

#### 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 Cyber Security arrangements, and will be following up several previous reports covering physical and environmental controls, asset management, business continuity and disaster recovery and application reviews. As part of audits completed last year, recommendations were put forward to bring an annual IT Governance report to this committee, which we understand will be presented at the next meeting.

1.5.8 Other / Consultancy

Following on from a previous audit of the Council's Works Perks scheme, we have produced 2 follow-up reports regarding the scheme with the aim of ensuring that all employee benefits provided via the scheme are promptly recovered from salaries, that the scheme is accounted for accurately, and that the scheme maximises its income and minimises expenses.

1.5.9 Table 2 shows that actual days achieved are significantly better than expected at this point in the year due to a vacancy being filled earlier than expected and we have updated the plan at Appendix 3 to reflect this.

<b>TABLE 2: ACTUAL v PLANNED AUDIT DAYS</b>		
<b>Total Planned Days</b>	<b>Actual to date</b>	<b>Comments</b>
2512	1359	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.

<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 new recommendations made	98	53	98	53
Rejected	0	0	0	0
Total recommendations accepted	98	53	98	53
% accepted	100%	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**

Accounts and Audit Regulations 2015

Internal Audit Plan 2018/19

Public Sector Internal Audit Standards (2017 update)