

REPORT OF DEPUTY CHIEF EXECUTIVE & CORPORATE DIRECTOR FOR
RESOURCES

INTERNAL AUDIT QUARTERLY REPORT 2010/11 – 2ND QUARTER

1 PURPOSE OF THE REPORT

This report outlines the work of the Internal Audit service for the second quarter of 2010/11.

2 RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Notes the performance of Internal Audit during the period.
- 2.2 Selects two audits from **Appendix 3** for further discussion at the 25 February 2011 meeting.
- 2.3 Notes the Strategic Audit Plan

3 REASONS FOR CONSIDERATION

3.1 The Audit Committee's terms of reference include responsibility for receiving reports on the work undertaken by Internal Audit and for monitoring its performance. This report is one of the quarterly updates on work undertaken by the service and the Audit Committee is invited to consider (for example):

- The performance of the Internal Audit service against the annual plan in terms of number of days and the balance and mix of the work.
- The nature, scope and quality of the work undertaken.
- The performance indicator results, including whether these indicators are appropriate and the targets sufficiently stretching.

4 OVERVIEW OF WORK UNDERTAKEN

4.1 Appendices 1 and 2 provide further details of work undertaken in the second quarter.

- **Appendix 1** - list of final audit reports issued in the quarter.
- **Appendix 2** - Summary of related audit findings and recommendations completed in the quarter.

4.2 Appendices 3 to 5 give an overview of the work completed to date

- **Appendix 3** - Level of Assurance in Audit Reports 2010/11 to date
- **Appendix 4** - Revised Audit Plan and summary of progress to date.
- **Appendix 5** - Summary of the position on high risk recommendations made after audit follow up.

4.3 **Appendix 6** is the Strategic Audit Plan and gives an overview of the plans to develop the service and a summary of the planned coverage.

4.4 Standards

All Internal Audit colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. The service has internal quality procedures in place and has been ISO9002 accredited since January 2000. It has adopted the principles contained in the CIPFA Code of Practice 2006 and has fulfilled the requirements of the Account and Audit Regulations 2003 (amended 2006) and associated regulations in respect of the provision of an Internal Audit service.

4.5 Local Performance Indicators (PIs)

Performance against all PIs is currently at or above target as illustrated in **Table 1**.

TABLE 1: PERFORMANCE v PI TARGETS AS AT QUARTER 2					
INDICATOR		Target	2nd Quarter	Actual Year to Date	Comments
1.	% of all recommendations accepted	95%	100%	99%	Better than Target
2.	% of high recommendations accepted	100%	100%	99%	Within Tolerance
3.	Average number of working days from draft agreed to the issue of the final report	8	3	4	Above Target
4.	Number of key / high risk systems reviewed	15	0	0	All on target for completion by end of quarter 3
5.	% of colleagues receiving at least 3 days training per year	100%	8%	8%	On schedule to meet annual target of 3 days
6.	% of customer feedback indicating good or excellent service	85%	98%	87%	On Target

Service PIs are under review. The review will refer to CIPFA guidance and other local authority internal audit indicators. The new or amended indicators will reflect the strategic goals of the service and the Council.

4.6 Activity

Table 2 shows that actual days achieved are in line with planned days set out in the revised Audit Plan and **Appendix 4** shows progress against the individual audits. In summary the plan, after revision, remains on target.

TABLE 2: ACTUAL v PLANNED AUDIT DAYS - QUARTER 2			
Total Revised Planned Days	Actual to date	Planned Days	Comments
1396	596	705	Within parameters after Annual work programme adjustment. More productive days available in 2 nd half of the year

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

TABLE 3: RECOMMENDATIONS ACCEPTED DURING QUARTER				
	Year to Date		Quarter 2	
	All	High	All	High
Total recommendations made	97	67	10	2
Rejected	1	1	0	0
Total accepted	96	66	10	2
Percentage accepted	99%	99%	100%	100%

- **Appendix 1** gives details of the findings of the non-school audits and an analysis of the recommendations and levels of assurance where appropriate.
- **Appendix 2** lists audits undertaken in the period including schools audits and the number of associated recommendations.
- **Appendix 3** lists reports issued 2010/11 and the associated level of assurance
- **Appendix 5** shows reports issued since 2009/10 with overdue dates for the implementation of their recommendations.

Resources 2010/11

The net budget is £515,460 - analysed in **Table 4**.

TABLE 4: BUDGET ANALYSIS	
	£
Income	(60,730)
Expenditure	576,190
Net	515,460

5. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

None

6. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

None

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APPENDIX 1

Internal Audit Reports issued during Q2 (excludes two schools reports and follow-up reports with no subsequent findings)

Audit	Scope	Level of assurance provided	Recommendations			
			High	Med	Low	High risk recommendation
Highways	<p>As agreed with the Acting Head of Service Highway Construction & Maintenance, this covered:</p> <ul style="list-style-type: none"> • Controls over maintenance and capital projects • Asset Management Plan • Inspection programme • Use of vehicles 	Significant	0	5	1	None
Bank Reconciliations	Coverage included the general and drawings accounts and found that both accounts are subject to regular review, with outstanding items being followed up and resolved.	Significant	0	1	0	None

<p>Pensions 2010</p>	<p>The main risks associated with the administration of pension contributions through the payroll system and their payment over to the respective pension provider.</p> <p><u>Assurance Levels</u> High assurance on the controls in respect of pension contribution calculation, performed as part of payroll processing, and their payment over to the relevant pension provider.</p> <p>In respect of the information supporting calculation of pension rights accrued and issuing of annual benefit statements, Internal Audit were able to give no assurance because of the extent of rectification required, the rescheduling of targets, and the lack of a formal project plan.</p>	<p>Split Opinion</p>	<p>1</p>	<p>0</p>	<p>0</p>	<p>A formal documented project plan should be drawn up and resourced covering all aspects of data cleansing and system changes required to allow accurate pension data to be passed to the County and used for the production of annual pension statements.</p> <p>The plan should include target dates agreed with the County for statement production and set out the date up to which the contributions will be included.</p>
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Final Audit Reports Issued During the Period 1 July - 30 September 2010

Department	Audit	Recommendations Made		
		High	Medium	Low
Communities	Highways	0	5	1
Communities Total		0	5	1
Children and Families - Schools	Fernwood Junior. (747)	0	0	1
	St Mary's RC Prim HG (842)	1	0	0
Children and Families – Schools Total		1	0	1
Resources	Bank Reconciliations	0	1	0
	Pensions 2010	1	0	0
Resources Total		1	1	0
Grand Total		2	6	2

Reports Issued 2010/11 to end quarter 2 with level of assurance

Audit	Department	Assurance Level
Highways	Community	Significant
Crime	Community	Significant
Parking Services Follow-Up	Community	Not appropriate
Growth Fund Grant	Development	Significant
Nottingham Ice Centre Ltd - Payroll	Ice Stadium	Significant
Nottingham Ice Centre Ltd Payroll	Ice Stadium	Significant
Performance Indicators	Resources	Limited
Stroke Care Grant	Resources	Significant
Money Lending Grant	Resources	Significant
Procurement	Resources	Significant
Pensions 2010	Resources	Limited
Bank Reconciliations	Resources	High
Creditors & Remittances	Resources	Significant
Contact Point	Resources	None
St. Ann's Well Primary	Children and Families	Significant
Sycamore Primary	Children and Families - Schools	Significant
St Augustine's RC Primary	Children and Families - Schools	Limited
Fernwood Junior	Children and Families - Schools	Significant
St Mary's RC Primary	Children and Families - Schools	High
Northgate Primary & Nursery	Children and Families - Schools	High
Nottingham Nursery	Children and Families - Schools	High
St Margaret Clitherow	Children and Families - Schools	Significant
Fernwood Comprehensive	Children and Families - Schools	Limited
		High

SUMMARY OF PROGRESS AGAINST THE REVISED AUDIT PLAN – 2ND QUARTER 2010/11

Audit Title	Audit Outline	Plan Days	Actual Days	Risk	Council Plan Strategic Priority
1. Chief Executive					
Failure to deliver the Council Plan	Strategic Risk - Review of evidence in place to mitigate risks	15	0	HIGH	Leading Nottingham
Failure of partners, including the City Council, to work effectively together to achieve vision and outcomes in the Nottingham Plan to 2020.	Strategic Risk - work on LAA statement of grant expenditure and reward element	10	0	HIGH	Leading Nottingham
2. Children and Families					
Failure to safeguard vulnerable children	Strategic Risk 6 - Review of evidence in place to mitigate risks	20	0	HIGH	Family Nottingham
Failure to make educational attainment progress (in key stages and ultimately GCSE results)	Strategic Risk SR12 - Review of evidence in place to mitigate risks	20	5	HIGH	Family Nottingham
Supporting People	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	8	1	MEDIUM	Neighbourhood Nottingham
Foster Carers	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment. Work currently undertaken by Audit Commission	25	24	HIGH	Family Nottingham
Funding of pre 19 education / training (LSC role)	New function. Assessment of the arrangements in place	20	1	HIGH	Family Nottingham

Schools FMSiS assessments	Visits to schools that require re-accreditation	100	44	MEDIUM	Family Nottingham
Schools Themed Audit - Income (School Funds)	Assessment of use of school funds	10	2	MEDIUM	Family Nottingham
Schools Themed Audit - Expenditure	Review of appropriateness of spend by schools based upon recent concerns raised by Audit Commission and Internal Audit, including purchase card	10	5	MEDIUM	Family Nottingham
Contact Point	Performance of assurance role that Internal Audit is required to undertake	12	12	HIGH	Family Nottingham
Early years single funding formula	Review of formula as requested by DMT	5	0	MEDIUM	Family Nottingham
Placement of children in care / 15+ Service / Commissioning	Review of current arrangements as requested by DMT	15	3	HIGH	Family Nottingham
3. Communities					
Failure to care for vulnerable adults	Strategic Risk 5a - Further review of evidence in place to mitigate risks	20	20	HIGH	Family Nottingham
Failure of NCC's contribution to the reduction of crime and the fear of crime	Strategic Risk 7 - Further review of evidence in place to mitigate risks	5	0	HIGH	Safer Nottingham
Failure to achieve national policy requirement and targets for "Putting People first"	Strategic Risk 22 - Review of evidence in place to mitigate risks	5	1	HIGH	Healthy Nottingham
Self-Directed Support	Assess current arrangements against CIPFA guidance. Contributes to the City's response to "Protecting the public purse"	20	0	MEDIUM	Healthy Nottingham
High cost placements / Commissioning	Review of arrangements in place	15	1	MEDIUM	Healthy Nottingham

Residential Care Payments	Assessment of high level controls over payments made in respect of external residential care, supported by compliance testing to give assurance over the operation of the control environment	8	4	MEDIUM	Healthy Nottingham
Parking Services	Review of improvements to internal controls implemented in 2009	10	9	MEDIUM	Work in Nottingham
Crime & Drugs Partnership	Assessment of high level controls supported by compliance testing in relation to commissioning and procurement	19	0	MEDIUM	Safer Nottingham
Establishment Checks	Continue a programme of checks on cash, assets in various locations	10	7	MEDIUM	Leading Nottingham
4. Development					
Failure to secure additional funding for Decent Homes	Strategic Risk SR13 - Review of NCC management arrangements	20	2	HIGH	Neighbourhood Nottingham
Net Phase 2	Support Projects Team with spreadsheet audit for funding model	10	0	HIGH	World Class Nottingham
Housing Rents	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	5	1	MEDIUM	Neighbourhood Nottingham
Meadows PFI	Assessment of the management arrangements	20	0	HIGH	Neighbourhood Nottingham
Future Jobs Funds	Review of the system of controls in place	5	2	MEDIUM	Work in Nottingham
Section 106 obligations	Review of the system of controls in place	23	20	MEDIUM	Neighbourhood Nottingham

Property	Review of the management of City-owned assets	20	0	MEDIUM	Neighbourhood Nottingham
Public Interest Report	Further assistance with the NCH Allocations project	15	10	MEDIUM	Neighbourhood Nottingham
5. Resources					
Failure to deliver Single Status	Strategic Risk SR1 - Assistance with the project	35	18	HIGH	Leading Nottingham
Failure to address medium term financial pressures in a sustainable way	Strategic Risk SR11 - Review of evidence in place to mitigate risks	10	0	HIGH	Leading Nottingham
Failure to protect the Council's investments	Strategic Risk SR17 - Treasury Management Audit, assessing high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	15	7	HIGH	Leading Nottingham
Budgetary Control	Consider the budget set up process and budget monitoring arrangements. (Key System)	21	21	HIGH	Leading Nottingham
Main Accounting System / IFRS	System reconciliation and posting to General Ledger (Key System)	23	3	MEDIUM	Leading Nottingham
Bank Reconciliation	Review of accounts to ensure reconciliations are both complete and accurate.	5	4	MEDIUM	Leading Nottingham
Capital	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	16	5	MEDIUM	Leading Nottingham
Payroll / HR	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	20	18	HIGH	Work in Nottingham

Creditors	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System). Allocation reflects concerns with impact of the changes to the system	20	4	HIGH	Work in Nottingham
Sundry Income	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	13	9	MEDIUM	Leading Nottingham
Estate Rents	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	14	11	MEDIUM	Work in Nottingham
Cash Collection	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	14	0	MEDIUM	Neighbourhood Nottingham
Council Tax	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	22	5	MEDIUM	Neighbourhood Nottingham
Business Rates	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	21	4	MEDIUM	Work in Nottingham
Benefits	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	28	1	HIGH	Fairer Nottingham
Adult Residential Services Finance	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment (Key System)	17	1	MEDIUM	Healthy Nottingham
Pensions	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment	13	14	MEDIUM	Work in Nottingham

Care First	Assessment of high level controls supported by compliance testing to give assurance over the operation of the control environment	15	0	MEDIUM	Healthy Nottingham
6. Corporate Audits					
Governance Statement	AGS Process	35	17	HIGH	Leading Nottingham
Risk Management	Audit of arrangements in place	15	8	HIGH	Leading Nottingham
Contract Audit	Ongoing audit of final accounts	30	22	MEDIUM	Leading Nottingham
Procurement	Allowance for further assistance and follow up	2	1	HIGH	Leading Nottingham
IT Audit	Ongoing audit of key IT risks	40	18	HIGH	Leading Nottingham
Access controls	Review of controls in place	15	1	HIGH	Leading Nottingham
Grants	Ongoing work on a number of grant claims	20	17	HIGH	Leading Nottingham
Councillors' / Colleagues' Expenses	Sample testing of claims	15	2	MEDIUM	Leading Nottingham
7. Counter Fraud					
Responding to 'Protecting the Public Purse'					
Counter Fraud Strategy / Arrangements	Review of strategy / current arrangements	20	6	HIGH	Fairer Nottingham

Impact of the recession	Assessment of areas that may be at risk of fraud	5	1	HIGH	Fairer Nottingham
Training / awareness	Initiatives to increase awareness including money laundering	20	5	HIGH	Fairer Nottingham
Whistle Blowing	Review of current arrangements	10	0	HIGH	Fairer Nottingham
Recruitment Fraud / Safeguarding	Assess vetting procedures for new employees against good practice and also assess vetting of current staff	15	0	HIGH	Fairer Nottingham
Counter Fraud Partnerships	Develop joint working arrangements. Include arrangements with NCH to cover tenancy fraud	10	0	HIGH	Fairer Nottingham
Counter Fraud Activities	Co-ordinate counter fraud activities, liaise with Audit Commission	20	15	HIGH	Fairer Nottingham
National Fraud Initiative (NFI)	Co-ordinate the City's response to the next NFI exercise	17	10	HIGH	Fairer Nottingham
Departmental Activities	Liaison with colleagues regarding anti-fraud activities	20	3	HIGH	Fairer Nottingham
Other					
Data Matching	Pro-active data matching / interrogation to identify potential fraud	20	6	MEDIUM	Fairer Nottingham
Establishment Checks	Continue a programme of checks on cash, assets, hospitality registers etc in various locations	15	12	MEDIUM	Fairer Nottingham
8. Companies / ALMO etc					
Nottingham City Homes	Assistance with implementation of Audit Commission Recommendations	10	3	HIGH	Neighbourhood Nottingham
Nottingham Ice Centre	Provision Internal Audit for the NIC	20	8	MEDIUM	World Class Nottingham

Other	Allowance for the provision of Internal Audit Services for other organisations	20	0	MEDIUM	
9. Consultancy, Advice and Support					
Contingency for ad-hoc work - General	To allow for requests from senior management or the need to undertake ad hoc assignments as they arise	120	91	HIGH	Leading Nottingham
Advice	Liaison with departments including general/contract advice	20	13	HIGH	Leading Nottingham
10. Other Work					
Recommendations Monitoring	Ongoing follow up and monitoring of implementation of recommendations	20	14	HIGH	Leading Nottingham
Audit of Charity and other Accounts	Lord Mayor's, Hanley & Gellesthrope, Highfields, Harvey Haddon, Staff Accounts	20	4	LOW	Leading Nottingham
		1396	576		

REPORTS ISSUED FOR 2009/10 AND AFTER - OVERDUE HIGH RISK RECOMMENDATIONS ANALYSIS

Finding/ Recommendation – Housing Rents	Management Response	Original Target Dates	Updated Response and Revised Target Dates
3.1 Monitoring of Systems			
<p><u>Finding</u> Pre-Performance Liaison meetings have not been regularly held since the Audit Commission completed its inspection in December 2008. It is acknowledged that a recent meeting has taken place and it is hoped that these will continue on a regular basis.</p> <p><u>Risk</u> Prompt and appropriate action is not taken to tackle performance.</p> <p><u>Recommendation</u> Regular monthly performance meetings should occur between NCH and NCC.</p>	<p>A protocol between the City and NCH has been recently agreed. A programme of bi-monthly meetings has now been established with NCH. These are to commence in February and will be aligned with the bi-monthly repairs meetings. Monthly performance via a balanced score card is to be shared by NCH with NCC.</p>	28/02/009	No Response

Finding/Recommendation - Capital	Management Response	Original Target Dates	Updated Response and Revised Target Dates
Capital Programme			
<p><u>Finding 6.1.1</u></p> <p>The capital programme is structured as three ring fenced programmes with a fourth programme covering the "All Other Services".</p> <p><u>Risk</u></p> <p>If a process for establishing the capital programme does not exist, or is not applied then the aims of the Council may not be maximised.</p> <p><u>Recommendation</u></p> <p>Seek ways of introducing a more corporate approach to the allocation of resources across the capital programme.</p>	<p>Accepted</p> <p>This issue is being considered as part of the modernisation of this process, through the Finance Change Programme. The current approach reduces flexibility and the ability to plan on a corporate basis. The key action is to challenge and evaluate the extent to which funds are actually ring-fenced to specific uses.</p>	<p>31/12/09</p>	<p>Report to Audit Committee May 2010</p> <p><u>Update</u></p> <p>Work in progress. The process to establish a robust capital programme underpinned by a comprehensive review of resources in light of current economic climate has been completed. This includes a reworked prioritisation process for approving capital schemes in light of available resources.</p> <p>Revised target date January 2011.</p>

<p>Finding 6.1.2</p> <p>A capital guidelines document was produced setting out the processes to be followed for producing the capital programme. This was applied to an extent to the “All Other Services” programme.</p> <p><u>Risk</u></p> <p>If a process for establishing the capital program does not exist, or is not applied then the aims of the Council may not be maximised.</p> <p><u>Recommendation</u></p> <p>The procedures for producing the full capital programme need to be developed and documented. These should include the prioritisation process, links with the Medium Term Financial Plan and the Medium Term Financial Strategy and the related financing arrangements.</p>	<p>Accepted</p> <p>This is the core activity of the capital work stream of the Finance Change Programme.</p>	<p>31/12/09</p>	<p><u>Update</u></p> <p>See 6.1.1</p> <p>The revised capital strategy outlines the process for allocating reason and priority of schemes to enable a workable capital programme to be developed inline with the MTFS and Council Plan.</p> <p>Revised target date January 2011.</p>
<p><u>Finding 6.1.3</u></p> <p>All four programmes contained some elements of general or block resource allocations. In some cases some of these general or block allocations were made over several financial years.</p> <p><u>Risk</u></p> <p>Use of block allocations in the capital program may reduce its effectiveness in meeting Corporate priorities and could lead to reduced control over the prioritisation and allocation</p>	<p>Accepted</p> <p>These issues are being considered as part of the modernisation of this process, through the Finance Change Programme. The current approach reduces flexibility and the ability to plan on a corporate basis. The key action is to challenge and evaluate the extent to which funds are actually ring-fenced to specific uses.</p>	<p>31/12/09</p>	<p>This is being reviewed in light of the current economic climate and Comprehensive Spending Review further, details of which will be released in December.</p> <p>Revised target date January 2011.</p>

<p>process.</p> <p><u>Recommendation</u></p> <p>1. General or block allocations should be kept to a minimum.</p> <p>2. Investment decisions should be made on an annual basis in line with Council priorities to ensure resources are used to maximum effect.</p>			
Finding/ Recommendation – Estate Rents	Management Response	Original Target Dates	Updated Response and Revised Target Dates
<p><u>Finding R2</u></p> <p>Each day the NSC system produces a series of paper reports from the system. One of these reports lists each user of the system, their user ID, the level of access and the areas of the system to which they have access. Concerns are expressed as the report is not securely disposed</p> <p><u>Risk</u></p> <p>This report could be used by unauthorised persons to try and gain access to the system.</p> <p><u>Recommendation</u></p> <p>Estate rents should ensure that this report is disposed of by a secure means, such as being shredded, in order that it is not used to try and gain unauthorised access to the system.</p> <p>A request should be made to the software supplier to have the report printed on demand, thus reducing the use of resources in</p>	<p>Accepted</p>	<p>28//02/10</p>	<p>Daily reports listing each user of the system are still produced daily, but are now disposed of by shredding.</p> <p>This automatic report could be stopped however the reports are required by audit when they visit.</p> <p>Audit follow up in progress.</p>

producing the report.			
<p><u>Finding R3</u></p> <p>The system allows users of the system to suppress invoices from being produced. This functionality is restricted to the three users within Estate Rents team, one of whom is the system administrator. Each time the billing run is undertaken the system generates a report that shows each of the accounts that has been suppressed. It is understood that this report is reviewed and then Destroyed.</p> <p><u>Risk</u></p> <p>The reason for bills being suppressed is known only to those officers involved within the billing process and there is no independent check to ensure that the reason for the billing suppression is for valid reasons.</p> <p><u>Recommendation</u></p> <p>The billing suppression report should be annotated with the reason why the accounts have been suppressed and this report should be reviewed by the Property Records and Estate Rents Manager to ensure that the actions taken are reasonable. The report should then be retained for future reference.</p>	Accepted	28/02/10	<p>Progress report to be provided to Internal Audit by 8 /10/10</p> <p>The list of suppressed bills is produced whenever a billing run takes place. There are around 10-12 invoices thereon and each represents an internal letting where VAT is not charged, and therefore an invoice is not required. This was the only way of following the transfer from the mainframe to the NSC System, that invoices not required could be prevented from being produced. Internal Audit checks a sample of these items to ensure that all is in order for them to be on the list.</p> <p>Audit follow up in progress.</p>

Finding/ Recommendation - Ledger	Management Response	Original Target Dates	Updated Response and Revised Target Dates
Journal Processing			
<p><u>Finding 2.2.1</u> Journal input is not subject to independent authorisation.</p> <p><u>Risk</u> Inappropriate journal entries could be input to the accounting system and affect the accuracy of financial information.</p> <p><u>Recommendation</u> Recognise that a residual risk exists that the accuracy of accounting information could be affected by the inadvertent or deliberate introduction of incorrect journal input.</p>	<p>A review of the various purposes for which journals are being used will be undertaken. They could reflect inefficient processes or mask poor performance.</p>	<p>28/02/10</p>	<p>After consideration, it was decided to expand on a piece of work which is carried out annually for Audit Commission. As part of the Closedown process, a report is produced to show the financial statements split by document type. Once the audit is complete, the journal element of this report will be analysed to identify the purpose of journals and to target the areas which need to be addressed. It was felt that this would give a full picture of all journals produced over the year as a whole rather than as at end of January as originally planned and will enable us to see not just the purpose of journals but also the timing of journal entries. Control over their input is obtained through security controls within the system, which allow only named accounting staff to use them. Although residual risks remain, a regular review of financial data at service level provides a compensating control. This review is required by the budget monitoring process, but new</p>

Finding/ Recommendation - Ledger	Management Response	Original Target Dates	Updated Response and Revised Target Dates
			guidelines will be issued through the "month end" work stream of the finance change program. Progress to be reported to Internal Audit 29/10/10

Strategic Internal Audit Plan 2010/11 to 2012/13

Heading	Description of Audit	Risk Level	2010/11	2011/12	2012/13
Part 1 Audits					
Strategic Risks	Review of evidence in place to mitigate risks. Coverage will vary over time depending on status of risks within the Strategic Register, currently including Commissioning Programme, Decent Homes Programme, MTFP, Safeguarding	High			
Chief Executive's Group	Partnerships	High			
	Corporate Communications	High			
Departmental Risks - Children & Families	Coverage of emerging departmental risks identified by annual / quarterly assessment				
	Supporting People: key System	High			
	Foster Carers	High			
	Funding of pre 19 education	High			
	External assessment of FMS	Medium			
	Contact Point	High			
	Fairer Charging	High			
	Schools themed audits including expenditure, collection of Income and recruitment	Medium			
	Early Years Single Funding Formula	Medium			
	Placement of Children in Care	High			

Heading	Description of Audit	Risk Level	2010/11	2011/12	2012/13
	Family Community Teams	Medium			
Allocation for DMT High Risk Priorities	Provide days for DMT				
Departmental Risks - Communities	Coverage of emerging departmental risks identified by annual / quarterly assessment				
	Self Directed Support	Medium			
	High Costs Placements	Medium			
	Residential Care Payments	Medium			
	Parking Services	Medium			
	Crime & Drugs Partnership	Medium			
	Establishment Checks	Medium			
	Corporate Complaints	Medium			
	Enviro Energy	Medium			
	Waste Management	Medium			
	Deputyship Role	Medium			
	Client Monies	Medium			
Allocation for DMT High Risk Priorities	Provide days for DMT				
Departmental Risks - Development	Coverage of emerging departmental risks identified by annual / quarterly assessment				
	Housing Client / Housing Rents	Medium			
	Net Phase 2	High			
	Concessionary Fares	Medium			
	Meadows PFI	High			

Heading	Description of Audit	Risk Level	2010/11	2011/12	2012/13
	Future Jobs Fund	Medium			
	Section 106 Obligations	Medium			
	Property Management	Medium			
	Public Interest Report	Medium			
	Regeneration	Medium			
	Royal Centre	Medium			
	Building Control	Medium			
	Catering and Cleaning	Medium			
Allocation for DMT High Risk Priorities	Provide days for DMT				
Departmental Risks - Resources	Coverage of emerging departmental risks identified by annual / quarterly assessment				
Internal Control	Work to support the preparation of the Annual Governance Statement	High			
	Key Financial Systems:				
	○ Adult Residential Services Finance	High			
	○ Budgetary Control	High			
	○ Business Rates	Medium			
	○ Benefits	High			
	○ Cash Collection	Medium			
	○ Capital	Medium			
	○ Council Tax	Medium			
	○ Creditors	High			
	○ Estate Rents	Medium			
	○ Main Accounting	Medium			
	○ Bank Reconciliation	Medium			
	○ Payroll / HR	High			

Heading	Description of Audit	Risk Level	2010/11	2011/12	2012/13
	○ Sundry Income	Medium			
	○ Treasury Management	High			
	Pensions	Medium			
	Care First	Medium			
	Right to Buy	Medium			
	Pupil Benefits	Medium			
Allocation for DMT High Risk Priorities	Provide days for DMT				
Counter Fraud & Probity	Ongoing response to the Audit Commission's 'Protecting the Public Purse' report:				
	Strategy / Financial Regulations/Policy	High			
	Proactive activities, including, colleague awareness, data matching and establishment checks	High			
	Other				
	Councillors' /colleagues' expenses	Medium			
	Grants Certification	Medium			
Transformation Board agenda	Commissioning - General	High			
	Commissioning – C&F	High			
	Procurement	High			
	Asset Management	High			
	Corporate Governance	High			
	Workplace Strategy	High			

Heading	Description of Audit	Risk Level	2010/11	2011/12	2012/13
	Leading Nottingham	High			
Corporate	Risk Management	High			
	IT systems reviews	High			
	VFM / VFM Audit	High			
Consultancy, Advice and Support	Contingency allowance to respond to ad-hoc queries and requests from management, including investigations	High			
	Advice/liaison with colleagues	High			
Other Work	Follow up of recommendations and reporting to Audit Committee	High			
	Audit of charities and other accounts	Low			
Companies / ALMO	Public Interest Report (NCH)	High			
	Audit of Internal Audit Arrangements (NCH)	Medium			
	Internal Audit Service for NIC	Medium			
	Provision of Internal Audit for other organisations (target to increase chargeable days)	Medium			
Response to Review of Internal Audit	Develop a modern fit for purpose Internal Audit Service. Improve focus of activity and efficiency of delivery with reduced net cost of service. Including greater emphasis on RBA with training & development required, participation in Internal Audit Shared Service	High			

Heading	Description of Audit	Risk Level	2010/11	2011/12	2012/13
Part 2 Strategic Development					
Operational Development	Reduce Cost Base	High			
	Develop Planning Process				
	Change Operational Practice				
	Develop External Work				
	Appraise new methods of service delivery				
Enhance Partnership Working	Develop partnership arrangements for external and external work	High			
Finalise Required methods of Service Provision	Review Alternatives including Shared Services	High			