

Audit Committee – 25 September 2020

Title of paper:	Internal Audit Annual Report 2019/20	
Director(s)/ Corporate Director(s):	Laura Pattman Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Shail Shah Head of Audit and Risk 0115 8764245 shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	Note the following as detailed in Appendix 1 <ul style="list-style-type: none"> • The audit work completed during the year, including the use of other sources of assurance and reliance upon those other sources. • The Head of Audit and Risk’s Annual Opinion • Note the proposed Audit Plan for 2020/21 	
2	Approve the Internal Audit Charter in Appendix 2	
3	Note the Counter Fraud Strategy in Appendix 3	
4	Note the Whistleblowing Policy in Appendix 4	

1 Reasons for recommendations

- 1.1 This report outlines the work of the Internal Audit (IA) service to the end of the fourth quarter 2019/20. The report includes the Head of Audit & Risk’s annual opinion on the effectiveness of the internal control systems operating within the City Council and its significant partnerships and the Audit Charter.
- 1.2 The Accounts and Audit Regulations 2015 state that local authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS) or guidance.
- 1.3 The Audit Committee’s Terms of Reference include the following Public Sector Internal Audit Standards (PSIAS) requirements for the “Board” (see 1.4):
- Approve the risk-based internal audit plan
 - Approve the Internal Audit Charter
 - Receive an annual confirmation from the Head of Audit and Risk with regard to the organisational independence of the internal audit activity
 - Making appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations
 - Receive communications from the Chief Audit Executive on internal audit’s audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters

- Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan.
 - Receiving the results of the Quality Assurance and Improvement Programme from the Head of Audit and Risk
- 1.4 The PSIAS require the responsibility for the management of Internal Audit to be set 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.
- 1.5 The PSIAS require the Head of Audit & Risk to deliver an annual audit opinion and report that can be used to inform the Annual Governance Statement. The annual report should include a summary of the work supporting the opinion.
- 1.6 This report seeks endorsement of the City Council's updated Counter Fraud Strategy (CFS), the Counter Fraud Strategy for Schools (SCFS) and the City Council's Whistle Blowing Procedure.
- 1.7 The report supports the Audit Committee in fulfilling purpose and function elements of its terms of reference including Public Sector Internal Audit Standard (PSIAS) duties as follows:
- Purpose*
7. *Oversee proposed and actual changes to the council's policies and procedures pertaining to governance.*
- Functions*
10. *Monitor the counter-fraud strategy, actions and resources.*

2 Background

- 2.1 The Internal Audit service impacts on corporate objectives by bringing a systematic disciplined approach to improve the effectiveness of risk management control and governance processes and is an important part of the Council's governance and control framework.
- 2.2 The coverage set out in the 2019/20 Internal Audit Plan has been substantially achieved and key Performance Indicator targets have been met.
- 2.3 The assurance gained from this activity together with that gained from a review of other control and assurance mechanisms, has enabled the Head of Audit & Risk to give a limited assurance that the internal control systems are operating effectively within the Council and its significant partnerships.
- 2.4 Good governance policies and procedures are essential when allocating and controlling Council resources and supporting effective delivery of the Council's strategic and operational objectives.
- 2.5 A cornerstone of the Council's governance policies is the CFS, which brings together the key strands of governance into an overarching strategy document. The maintenance and embedding of a counter fraud culture is essential if the Council is to maximise the use of its resources and minimise waste through inefficiency and/or fraudulent activity.
- 2.6 An effective CFS provides the basis for developing a counter fraud culture in the Council and, as part of the Council's control system, the elements of the CFS

contribute positively to the assurance received by the Committee in respect of the effectiveness of the control environment.

- 2.7 The CFS is the main strategy statement geared towards protecting public funds and assets by requiring compliance with regulations, rules, procedures and guidelines designed to promote the highest standards of conduct and behaviour.
- 2.8 The changes to the strategy and response plans include a general update and clarifications in terms of roles and responsibilities.
- 2.9 The CFS will continue to evolve and develop to reflect changes in legislation and best governance practice. The strategy was last approved by the Committee in February 2019.
- 2.10 The Schools Counter Fraud Strategy has previously been published and approved by Committee in February 2019. There have been no changes made to this document.
- 2.11 Internal Audit periodically liaise with HR colleagues to refresh the City's Whistle Blowing Procedure. The Whistle Blowing Procedure identifies the kind of complaints covered and how they should be raised with the Monitoring Officer or the line manager. It also states that Line Managers or HR colleagues who are made aware of possible whistle blowing complaints must in the first place seek advice from the Monitoring Officer or Internal Audit so that the complaint can be considered and a decision made on how to proceed. The procedure aims to reassure those raising a complaint that they will not suffer detriment. The version in Appendix 4 provides a slight amendment to the version approved in February 2019 with respect to external contacts.

3 Background papers other than published works or those disclosing exempt or confidential information

List of Appendices

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| Appendix 1 | INTERNAL AUDIT ANNUAL REPORT AND OPINION 2019-20 |
| Appendix 2 | INTERNAL AUDIT CHARTER |
| Appendix 3 | COUNTER FRAUD STRATEGY |
| Appendix 4 | WHISTLEBLOWING POLICY |

4 Published documents referred to in compiling this report

- Accounts and Audit Regulations 2015
- Internal Audit Plan 2019/20
- CIPFA SOLACE Delivering Good Governance in Local Government
- Public Sector Internal Audit Standards 2017
- Counter Fraud Strategy – Audit Committee February 2019
- Schools Counter Fraud Strategy – Audit Committee February 2019
- Whistleblowing Policy – Audit Committee February 2019