

NOTTINGHAM CITY COUNCIL

INTERNAL AUDIT ANNUAL REPORT AND OPINION

2018-19

Date: 1 July 2019

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1. Introduction

Internal Audit and the Annual Reporting Process

- 1.1 Under the Accounts and Audit Regulations 2015 (See Box) the Council has a duty to maintain an effective internal audit of its risk management, control and governance processes. 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 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 reinforce this requirement. The role of Chief Audit Executive has been assigned to the Head of Audit and Risk at Nottingham City Council.
- 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 seeks to provide an objective assessment of the control environment to support the annual internal audit opinion. This report has been produced by the Head of Audit and Risk who is responsible for the Internal Audit (IA) and Corporate Fraud teams.

The Accounts and Audit Regulations 2015

Internal audit

5.—(1) A relevant authority **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** or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (a) make available such documents and records; and
- (b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

(3) In this regulation “documents and records” includes information recorded in an electronic form.

Confirmations – Resources, Independence and Limitations of Scope

- 1.5 Members of the team hold various qualifications including ACCA, AAT and PINS. Colleagues participated in personal development reviews and received a minimum of three days training. The 2018/19 audit plan contained

2512 days and I am satisfied that there were adequate staffing resources available to me to deliver the plan despite a restriction on recruitment and some long-term unavoidable sickness.

- 1.6 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.
- 1.7 The Internal Audit 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 access to the Chair of the Audit Committee, Leadership of the Council, Ministry of Housing Communities and Local Government, External Auditors, the Chief Executive, the Section 151 Officer, the Monitoring Officer, the Standards Board, and all councillors, as he considers appropriate.
- 1.8 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 the Head of Audit and Risk's personal independence or objectivity nor has there been any

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Nothing has occurred during the year that has impaired the Head of Audit and Risk's personal independence or objectivity nor has there been any inappropriate scope or resource limitations.

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ropriate scope or resource limitations.

Reports to Audit Committee

1.9 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 and Risk during the last year.

- Annual Governance Statement and Update
- Best Practice for Governance of City Council Companies and later update
- Internal Audit Quarterly Reports
- 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 and Whistle Blowing procedure
- Audit Committee Terms of Reference and Work Plan
- Committee Member training

2. Head of Internal Audit Opinion 2018/19

Scope of the Opinion

2.1 This opinion has been prepared by the Head of Audit and is based upon the requirements of the Public Sector Internal Audit Standards (PSIAS). In preparing the opinion assurance has been drawn from a number of sources, including:

- Planned Internal Audit assignments, which will include prioritised audits from the Annual Audit Plan that are risk-based

- Consultancy which includes unplanned work, advice and guidance provided 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).
- External assurances gathered during the year

Opinion 2018/19

2.2 Although no systems of control can provide absolute assurance, nor can IA give that assurance, the Head of Audit and Risk is satisfied that, on the basis of the audit work undertaken during the 2018/19 financial year, there have been no significant issues (as defined in the CIPFA Code of Practice) reported by IA. Furthermore, the programme of audit work undertaken during the 2018/19 financial year, covering financial systems, risk and governance, and a review of external assurances, allows the Head of Internal Audit and Risk to conclude that a **significant level of assurance** can be given that internal control systems are operating effectively within the Council, its significant partners and associated groups.

A significant level of assurance can be given that internal control systems are operating effectively within the Council, its significant partners and associated groups

2.3 However, it is clear from recent budget outturns and our analysis of assurances provided by audits that the financial and overall control framework, whilst it remains robust, is under stress. We will prioritise activity in 2019-20 to identify issues within financial and other control frameworks to assist management in maintaining the effectiveness of the overall framework. As might be expected in an era of frequent change, re-organisations and cuts, our audits have highlighted system weaknesses in some areas and compliance issues. We will continue to review key areas of compliance during 2019-20.

Issues Relevant to the Annual Governance Statement Opinion

2.4 The guidance provided by CIPFA has been considered and there are no issues currently identified as significant for 2018/19, which should feature in the Annual Governance Statement.

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There are no issues currently identified as significant for 2018/19, which should feature in the Annual Governance Statement

s of Assurance for the Annual Audit Opinion

3.1 2018/19 Audit Plan

3.1.1 The Audit Plan and quarterly monitoring reports were presented to the Committee throughout the year, detailing progress against the Plan. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of Internal Audit. The audit plan is fluid and has been changed to reflect differing risks and priorities arising during the year. 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.

3.1.2 The final outturn for 2018/19 is summarised in the table below that shows the outturn against planned resources.

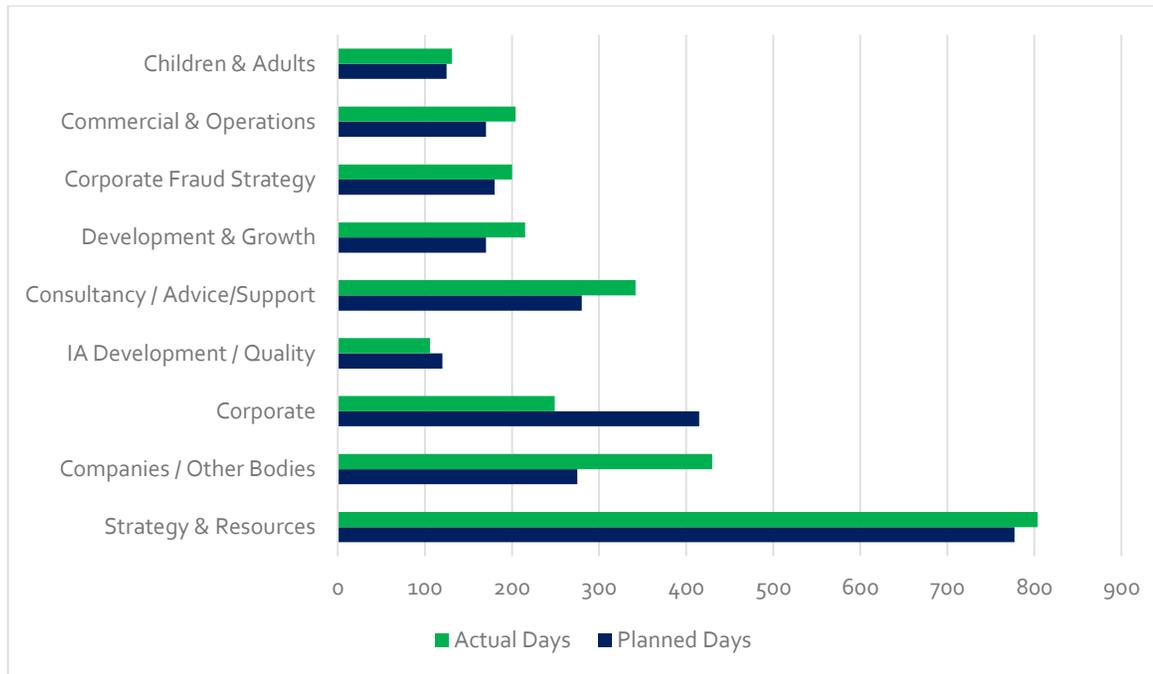
Overall Internal Audit Plan against Actual

Audit Category	Planned Days	Actual Days
Governance	200	167
Organisation	65	37
Key Financial Systems	141	184
Procurement, Projects & Programme Management	290	170
Big Ticket / Risk Based Service Reviews	205	264

Audit Category	Planned Days	Actual Days
Compliance / Challenge	250	167
ICT and Information Governance	86	107
Counter Fraud Responsive	420	507
Corporate Fraud Strategy / Reviews	180	200
Companies / Other Bodies	275	430
Consultancy, Advice and Support	280	342
Development , Redesign & Quality	120	106
Total Days	2512	2681

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

2018/19 Internal Audit Plan against Actual by Department



3.2 Audit Reporting / Themes

3.2.1 Internal Audit reports are normally comprised of a number of findings and recommendations. Dependent on the nature of these findings, the recommendations are classified as High, Medium and Low; a definition of these categories can be found in Appendix F. In addition, an opinion or level of assurance, which ranges from 'No Assurance', 'Limited Assurance' or 'Significant Assurance' also features in each report; a definition can also be seen in Appendix F. The Audit Committee sees summaries of all reports, levels of assurance and the associated recommendations as part of its annual work programme. The analysis shown here identifies the level of assurance for those reports issued to Corporate Directors during the year.

Analysis of assurance levels by department

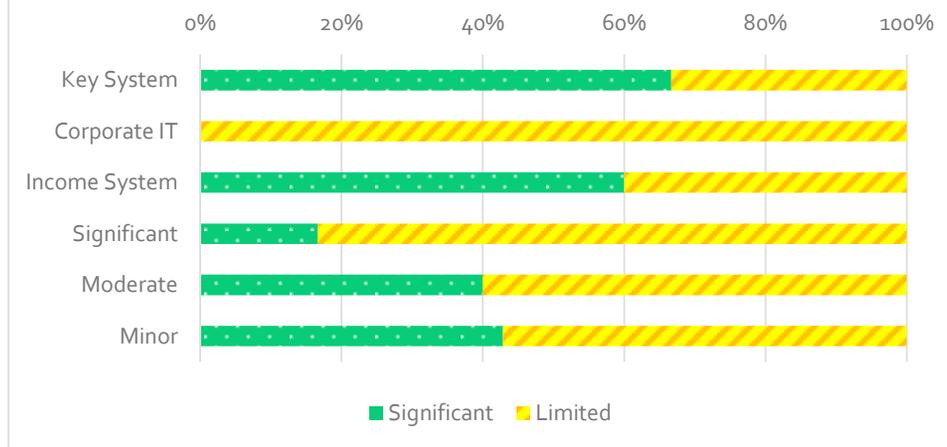


3.2.2 As can be seen above, we have not issued any reports that have featured a 'No Assurance' opinion i.e. where there are highlighted weaknesses that may present a risk to the Council. A full list of the final reports issued can be found in Appendix D.

3.2.3 We have responded to ad hoc requests throughout the year and provided feedback and guidance as necessary.

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

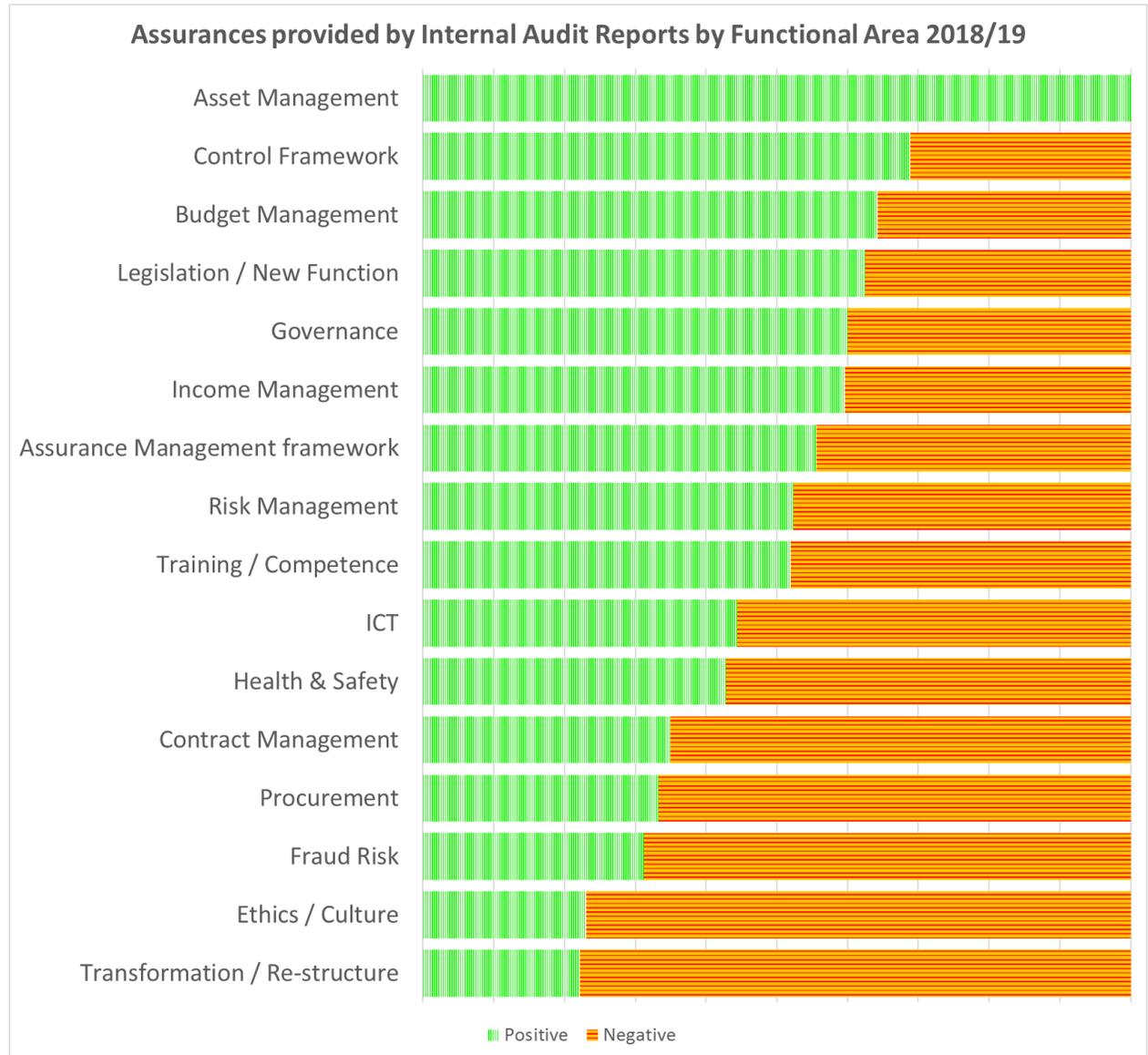
Summary of Audit Report Assurance Level by Corporate Impact of System 2018-19



3.2.5 Whilst the majority of key systems have been assessed at significant assurance during 2018/19, giving the Head of Audit & Risk confidence that those systems underpinning the most financially significant activities are generally effective, it is a concern that Corporate IT systems and most systems with significant corporate impact have been rated as limited assurance – a summary of weaknesses identified can be found in sections 3.4-3.9 below.

3.2.6 We have drawn upon the audit work completed over the year and are able to provide some overall assessment of positive and negative assurances provided by internal reports during 2018/19. We have used this analysis to identify audits to include in the 2019/20 Internal Audit Plan (see Appendix C). It is worth bearing in mind that

our audits have been scoped with management so as to target areas which we consider to present greater risk to the City Council, and therefore we would expect a certain level of bias towards providing negative assurance. Even



so it indicates a tendency towards non-compliance and loss of organisational capacity as a result of the churn experienced by the City Council over a decade of cuts and transformation. This is also highlighted by its third successive revenue overspend.

Key Financial & Other Key Systems

3.3 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. We have reviewed all of the key systems identified in our plan, some of which are operated by EMSS; which we report upon separately. 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. Whilst we have indicated earlier on page 9 that there are some key systems categorised as limited assurance, it should be pointed

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Key financial control systems are sound and that these controls continue to work well in practice

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hat most of these are improving.

3.3.2 We would expect that some of the outstanding issues identified in our reports (Oracle) would be dealt with as NCC and its partners move to a new platform later in the year. We will continue to work with the Council's external auditors and provide copies of our reports and explanations as required to assist them with their work.

3.4 Procurement

- 3.4.1 We are currently undertaking a review of NCC contracts with a view to ensuring that all have been correctly published as per UK / EU regulations. Additionally we are using data analysis to review all expenditure with the aim of identifying where council guidelines on spending approval, procurement route requirements and contract requirements have not been followed or have been purposefully circumvented. This approach also allows us to identify instances where spend has been made off-contract. This work is ongoing and will guide future work during the current financial year.
- 3.4.2 Our work completed during 2018/19 across a number of areas indicated that there needs to be a more robust approach to monitoring performance and some clear guidance to assist those colleagues responsible within service areas. We are currently reviewing corporate support for contract management /strategic direction and oversight on contract management, including policy and procedures. Over 2019/20, we hope to support Procurement colleagues using the results of our data analysis and where appropriate, we hope to share findings across the council throughout the year.
- 3.4.3 Our work on a new Waste Management IT application was expanded to consider the contractual arrangement in place for dealing with a cloud-based SaaS (software as a service) contract. The finding highlighted the fact that NCC as a whole needs to better understand and manage the risks associated with buying systems that are hosted externally. More detail on this matter is recorded later in the Information Governance / ICT Section.
- 3.4.4 As a general point of activity, we have considered the management of contracts within many of our reviews and will continue to comment on the extent to which we manage/monitor our arrangements within external providers of goods and services.

3.5 Fit for the Future

- 3.5.1 We have monitored the progress of the project since inception and have commented upon specific areas over time, such as project governance, contractual responsibilities, risk management, new processes, data cleansing / migration.

3.6 Risk Management

3.6.1 Our report on Risk Management indicates that the organisation needs to embed risk management across the organisation and to provide resources to allow this to occur.

3.7 Information Governance / ICT

3.7.1 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.

3.7.2 Our work on Cyber Security has highlighted the need for improvements in respect of a Cyber-Risk Strategy, assurance reporting, software updates, the Information Security Policy and colleague training and awareness.

3.7.3 The review of IT Physical & Environmental Security covered the arrangements for the physical security and maintenance of the Data Centre and the policies and procedures in place. We have highlighted improvements in respect of clarification of responsibilities, risk management, health and safety, contract management and access control.

3.7.4 We have undertaken a review of the Council's arrangements for managing the risks associated with Business Continuity and Disaster Recovery which covered planning, governance, assurance, policies and procedures and training. The review demonstrated that the organisation has made some progress but there are still improvements to be made in terms of planning, assurance reporting, training and awareness.

3.7.5 We followed up on the recommendations made in a previous GDPR report and we noted an improved position for the Council, in particular substantial amounts of work completed by the Information Compliance Team to support the organisation towards GDPR compliance, processing FOI requests and incident requests. However, we note that there is some way to go for the council with regard to GDPR awareness / compliance, assurance reporting and reporting of risks.

3.7.6 Over the last 12 months some improvements have been made to ICT Governance arrangements, namely:

- The Information Compliance Board (ICB) meeting regularly and reporting assurance to the Audit Committee
- The Head of IT has presented an item on IT security issues to the ICB

- IT have retained the PSN Accreditation and obtained the Cyber Essential Plus Accreditation
- The IT Strategy is currently being reviewed by the Head of IT and will be presented to CLT at some point in the future
- Substantial amounts of work has been put into compliance with the General Data Protection Regulations / Data Protection including having a Data Protection Officer who is developing assurance mechanisms
- At the February 2019 meeting of the Audit Committee the Information Governance and Compliance assurance report recommended to members that both the requirements for Data Protection and Information Security training be mandatory.

3.7.7 However, issues still remain in the following areas, some of which have already been identified as part of Systems Big Ticket for IT:

- Improvements to the ICT Strategy to include risks, both Strategic and Operational, GDPR risks, partnership working, digitalization of Nottingham etc.
- Performance reporting – to the ICT Departmental Strategy Boards / DLTs and any issues
- Re-established ICT Departmental Strategic Boards to take ownership of ICT spending within their areas and to act as a conduit for planned ICT changes which affect the business.
- New areas of concern such as Software as a Service and Information Security Risk Management.

3.7.8 We are currently planning work on ICT specific procurement, across the organisation will provide an opportunity to assess governance within this area.

3.7.9 Our review of the ACMS Waste Management flagged up some issues around information security, compliance with data protection legislation and access controls but also highlighted a wider issue for the Council regarding cloud-based systems that we procure, particularly SaaS or Software as a Service. When procuring cloud based software, the responsibility for managing and maintaining the software and data resides with the vendor and not with the City Council's IT Service and there is a need for the guidance and awareness for colleagues across NCC for the procurement and management of such cloud based applications.

3.8 Performance

3.8.1 In previous years we have undertaken a review of a selection of corporate performance indicators that underpin the Council's Plan. This year, in advance of the local elections, new manifesto and council plan, we have opted to follow up on previous recommendation made. During 2019/20 we plan to carry out further audits during the life of the new Council Plan to review the accuracy of data supplied and the effectiveness of the monitoring process, In

addition, the management and reporting of performance at a service level is included within the current year's audit plan.

3.9 Other Risk Based Audits

- 3.9.1 In accordance with our annual plan, we have undertaken reviews across all departments and the following provides a brief insight into the results highlighted within some of these reviews.
- 3.9.2 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.
- 3.9.3 We completed a review that covered assessments, income management, payments and contract management within the Council's Adult Residential Care service. Whilst the results of our review identified some positive findings in respect of the system and the contract management arrangements, there were weaknesses highlighted that would contribute to the increasing debt, including a lack of resources.
- 3.9.4 Our review within the Public Transport service covered the management of concessionary fares, tendered operator contracts and the Robin Hood Card scheme. Areas of concern include income management, value for money in respect of service contracts, data verification and the potential for fraudulent use of cards.
- 3.9.5 We reviewed the management of section 106 agreements with a scope covering the process including the negotiation process, monitoring, collection and utilisation of monies due. Suggested improvements have been proposed to improve the authorisation of agreements, monitoring, reporting and guidance.
- 3.9.6 We have commenced a series of audits that will consider how services manage their contractual relationship with external customers. The review of the catering contracts considered commercial strategy, legislative requirements, risk management, assurance, profitability and contract monitoring. This review identified positive results.

3.9.7 The review of ASC Fairer Charging included financial assessments, collection of income and debt management within its scope. This audit provided some encouraging results but made a number of recommendations with regard to the assessment process.

3.10 Grants

3.10.1 Over time, there has been an increasing requirement from grant providers for our involvement in the verification of grant conditions prior to sign-off, which is reflected in the Audit Plan. During 2018/19 a number of grant certifications were subject to routine work by Internal Audit including Troubled Families, various Transport Grants, Disabled Facilities and Growth Point. The value of these grant claims was £11.8m. There are no significant issues to report.

£11.8m of grant certifications.

3.11 Fraud and Whistleblowing

3.11.1 Internal Audit includes a Corporate Counter Fraud Team (CCFT) that was established to investigate suspected financial irregularities, conduct pro-active counter fraud exercises and ultimately, save the council money. Since its inception in November 2016, the team has identified income in excess of £2m and savings exceeding £1.5m.

3.11.2 *Since its inception, CCFT has identified income in excess of £2m and savings exceeding £1.5m.*

The team had a cashable income/savings target of £400,000 for 2018/19, which was exceeded. During 2018/19, CCFT undertook several proactive exercises in relation to Business Rates including charitable reliefs, a GIS mapping project on small business rate relief plus referrals from NCC colleagues, which resulted in an increased liability of over £370,000.

3.11.3 The team has carried out an exercise which 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 resulted in increased council tax liability of £49,000.

3.11.4 The team is heavily involved in assisting Nottingham City Homes (NCH) in relation to tenancy fraud issues and the vetting of applications to the Council's Right to Buy Team (RTB). This work has resulted in many properties being reclaimed by NCH and stopped several fraudulent RTB applications. Estimated savings from tenancy investigations are £72,000 and actual savings of RTB discounts are £114,000. NCH report estimated savings of approximately £0.5m associated with our work, which is their estimate to build equivalent properties to those recovered.

3.11.5 The team is responsible for coordinating the Council's response to the biennial National Fraud Initiative (NFI). This pro-active exercise requires the council to consider the results of matching specific sets of data obtained from local authorities throughout the country. This process prompts investigations and where appropriate, prompts discussions regarding systems weaknesses and the potential for fraud.

3.11.6 The team has responded to referrals from around the Council and provided support for managers.

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

3.11.8 We have refreshed the whistle blowing code in conjunction with colleagues in HR and Central Panel and advised on the proposed refresh of the Gifts and Hospitality guidance for employees.

3.12 Follow-Up of Recommendations

3.12.1 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 2018-19 year has identified a positive response from client departments.

3.13 Data Analytics

3.13.1 We aim to utilise data analytics as a part of our planning process, to allow us to understand the total population within each data areas, to identify issues, focus the scope of our work, target sampling etc. We have used it on our work on Housing Benefits, pro-active counter fraud exercises, Works Perks, Procurement, Payroll, Accounts Receivable and plan to further expand our use of data analytics going forward.

Data Analytics is a key activity for the future to ensure the most effective use of reduced resources.

3.14 External and Other Assurance Providers

3.14.1 We have reviewed information from external providers of assurance during 2018/19 and identified further requirements in order to be able to assess the assurance concerns identified. These are found within Appendix E.

3.14.2 NCC wholly owned companies have been audited with respect to 2017/18 and are currently being audited for 2018/19. We rely upon the assurance provided and where appropriate follow up any issues identified.

3.14.3 In July 2018 KPMG reported their concerns about the governance of City Council controlled companies and recommended for the City Council to ensure that these are fit for purpose given the continued growth of the group. Since then the City Council has made some progress but internal audit have not undertaken any specific audit work in this area. We are planning to review the City Council's arrangements in 2019/20.

3.14.4 Corporate Directors and statutory officers have provided an assurance statement supporting the AGS for 2018/19. 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.

3.15 Changes to Internal Audit Plan

3.15.1 There have been no major changes to the Audit Plan since it was revised in 2018 but it should be noted that due to a significant amount of time required for an internal investigation, the outturn shows the actual productive days exceeding the expected plan.

4. Quality Assurance & Improvement Plan

4.1 Purpose

4.1.1 Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of Nottingham City Council Internal Audit that the service:

- Performs its work in accordance with its Audit Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics
- Operates in an efficient and effective manners; and
- Is adding value and continually improving Internal Audit operations.

4.1.2 The Head of Audit and Risk is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including work with external clients. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

4.2 Local performance Indicators

4.2.1 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%	Achieved
3.	Average number of working days from draft agreed to the issue of the final report assurance	8 days	6 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%	100%	Achieved
6.	% of customer feedback indicating good or excellent service	85%	89%	Above Target

4.3 Public Sector Internal Audit Standards (PSIAS)

- 4.3.1 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.
- 4.3.2 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. Following a successful external assessment in 2017, the recommendations from this assessor's 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 and to date we have no areas of non-conformance with the standards. We have continued to work on the following areas that feature partial-conformance, throughout 2018/19:

Area for improvement	Current Progress
Audit Planning (further assurance mapping / develop greater use of other sources of assurance).	We have developed other sources of assurance and continue to develop assurance mapping
Assessment of NCC's risk management processes (subject to improvement of risk management arrangements).	We have undertaken an assessment of NCC's risk management processes
	We have created a protocol to be utilised when providing audit services to outside organisations. This will be agreed with our external clients
	We have developed our approach to developing the Head of Internal Audit Opinion and the Annual Internal Audit Report and will continue to improve the process.

Area for improvement	Current Progress
Documentation (consistency/retention)	This is an area to develop as NCC roles out Sharepoint but we are using consistent processes for similar pieces of work. Included in this is the focus within Audit Briefs and the method of recording results to support the HoiA opinion.
The need for an Assurance Framework to be developed by the Council and reported to the Audit Committee.	The requirement for a framework has been raised in previous years and some key service areas have reported on assurance to the Audit Committee during 2018/19. We will continue to encourage the organisation and its constituent parts to formalise their assurance arrangements. This should be on the future agenda for the newly constituted Audit Committee.

4.3.3 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.

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The service has met the requirements of the Accounts and Audit Regulations 2015

Monitoring

4.4.1 Internal Audit is committed to working to the highest professional standards, and to delivering a quality product that adds value to senior management. As such, performance is actively monitored and feedback from management is encouraged.

4.4.2 Internal Audit has a system in place to effectively monitor work done in line with the agreed plan planned. The system is used to allocate assignments and to evidence completed work, to provide key performance information for management (as set out above). Auditors are required to complete timesheets to record work undertaken on their assignments and tasks they are allocated, so management can continually assess the Plan against Actual

position for individual audits and across the overall Plan. The achievement of the service delivery plan actions is monitored and reported to the Strategic Director of Finance and discussed with the audit team.

- 4.4.3 Each audit is subject to supervisory review by a senior member of the team who ensures the focus is retained throughout the course of the assignment and time is used to best effect. The reviewer will also undertake checks to ensure that professional standards are maintained. All reports are viewed by the Audit Manager before issue. Any report with assurance ratings of “No Assurance”, or any with a significant issue to report, are reviewed by the Audit Manager and shared with the Head of Audit and Risk.
- 4.4.4 Following the issue of a draft audit report, a meeting is held with the client manager with an opportunity for them to consider the audit findings, proposed recommended actions and the response to be made by the service including action and timescales. This provides a degree of assurance that the final reported position is accurate and that any recommendations considered are acted upon in a timely and robust manner.

5. Internal Audit Plan 2019-20

- 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 2571, which includes the resources required to provide internal audit services to external clients. A summary of the IA Plan for 2019/20 is provided in Appendix C of this report.
- 5.1.2 As part of our approach to the 2019/20 audit plan, we will aim to concentrate our resources on those areas which are of concern to the Council’s s151 Officer; provide assurance regarding Fit for the Future; continue to look at commercial arrangements that exist throughout the council; look for the basics to be in place within existing council services, i.e. robust income collection procedure and to push for more effective governance / assurance reporting.
- 5.1.3 Whilst we would like to reduce our coverage on the more stable systems and allocate more of our resources elsewhere, we are obliged to plan for annual coverage on ORACLE as well as to carry out some testing on Fusion, once implemented. Those areas within our plan that are of particular significance include
- Assurance support for the council as it looks to deal with the Supreme Court ruling on increments
 - To review policy and decision making within the Council

- To assess all accountable body responsibilities
- Looking at performance management on a service level basis
- Further work to view how budgets are being managed plus the extent to which budget proposals are being achieved

5.1.4 We hope to further expand our use of data analytics to provide greater assurance for management from our work.

5.1.5 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). As we look forward, we plan to work more closely with management/colleagues within the organisation and in particular, we hope to forge closer working relationships with colleagues within the Information Compliance, Risk and IT teams.

Final Audit Reports issued 1st January to 31st March 2019 (Quarter 4)

Appendix A

Department	Division	Activity	Level of Assurance	High	Medium	Low
Children and Adults	Education	Schools themed review - 2018/2019 Purchasing	Significant Assurance	11	2	0
	Adult Social Care Quality and Change	ASC - Adult Residential Care	Limited Assurance	6	7	1
		ASC - Fairer Charging	Significant Assurance	6	2	2
		ASC - ContrOCC Feeder Systems review	Limited Assurance	2	4	0
Children and Adults Total				25	15	3
Commercial and Operations	Community Protection	Environmental Health & Safer Housing - Selective Landlord Licensing	Limited Assurance	4	4	1
	Neighbourhood Services	Catering Contracts	Significant Assurance	0	3	0
		Income & Debt Management - Cemeteries & Crematorium 2018-19	Significant Assurance	1	4	0
		Catering - School Meals Follow Up	Limited Assurance	2	0	0
	Sports, Culture & Parks	Income & Debt Management - Markets & Fairs 2018-19	Limited Assurance	3	3	1
		Income & Debt Management - Harvey Hadden 2018-19	Limited Assurance	4	0	0
Commercial and Operations Total				14	14	2
Development & Growth	Planning and Regeneration	Section 106 Fees	Limited Assurance	2	11	0
Development & Growth Total				2	11	0

Department	Division	Activity	Level of Assurance	High	Medium	Low
NCC Corporate		Risk Management	Limited Assurance	3	3	0
NCC Corporate Total				3	3	0
Strategy and Resources	Information Technology	IT Audit - Physical & Environmental Controls	Limited Assurance	12	9	3
	Legal & Governance	Data Protection 2016-17 Follow Up	Limited Assurance	1	9	1
	Strategic Finance	Budget Monitoring	Significant Assurance	0	6	0
		Treasury Management 2018-19	Significant Assurance	0	2	0
		Main Accounting 2018-19	Significant Assurance	0	0	0
		Bank Reconciliation 2018-19	Significant Assurance	0	3	2
		NCC Payroll and HR 2018-19	Significant Assurance	0	0	0
Strategy and Resources Total				13	29	6
Grand Total				57	72	11

Executive Summary - Adult Residential Care

<p>Department: Children and Adults</p>	<p>Overall Opinion: Limited Assurance </p>	<p>Direction of Travel: No Change </p>
<p>Previous review: Adult Residential 2015-16</p>	<p><u>Scope and Approach:</u> This review considered the following aspects:</p> <ul style="list-style-type: none"> • Assessments and their authorisation • Financial assessments and income management • Payments to residential care providers • Contracts and contract management 	

High Priority Recommendations

- 2018-19 R5 – The ContrOCC report ‘Clients by Assessment Band’ should be run quarterly to identify any citizens who have not received a financial assessment
- 2018-19 R7 – The ContrOCC report ‘Care Package Line Items Without Specific Funding Type’ should be run quarterly to identify Third Party Top Up contributions not being collected.
- 2018-19 R11 – We recommend ARS reconsider their strategy surrounding debt recovery and the following steps should be considered:
 - An increase in resource allocated to debt recovery
- 2018-19 R12 – A review of the approach to debt collection
- 2018-19 R13 – A review of the payment methods provided by invoicing through Oracle and training to ensure the team has a correct and full understanding of the payment methods
- 2018-19 R14 – A review of the management reporting including a focus on forecasting and predicting future required resourcing together with a review of the information supplied to NCC in the Service



Executive Summary - Fairer Charging

Department: Children and Adults Previous review: Fairer Charging 2013-14	Overall Opinion: Significant Assurance 	Direction of Travel: No Change 
	Scope and Approach: This review considered the following aspects: <ul style="list-style-type: none"> • Financial assessments and their authorisation • The collection of income • Debt management and the collection of debt 	

High Priority Recommendations

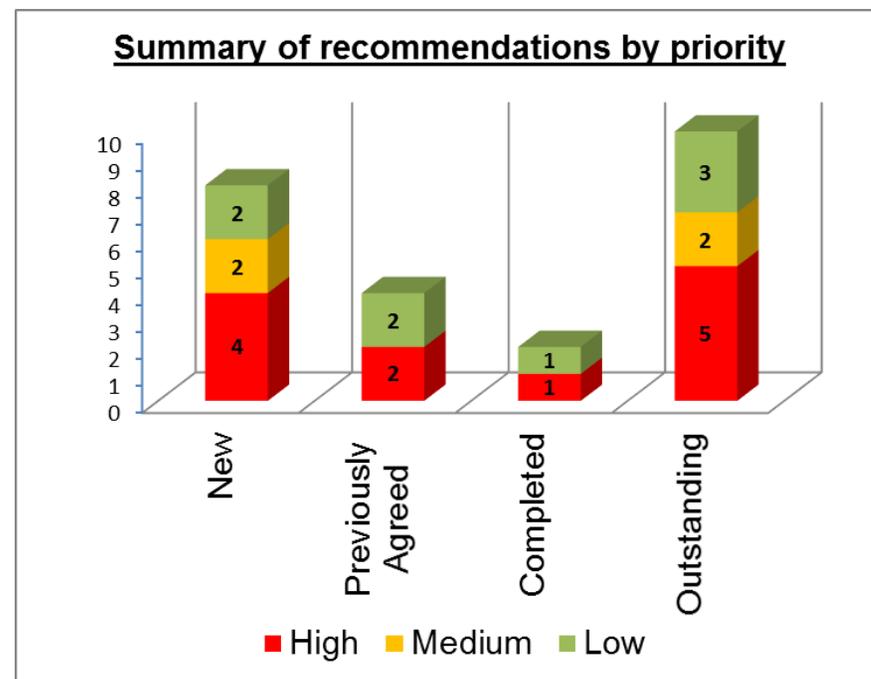
2018-19 R4 – The report ‘Clients by Assessment Band’ should be run on a quarterly basis to highlight citizens who have not received a financial assessment. This should be in addition to the current process in place.

2018-19 R6 – We recommend the NCC Service Report KPI for Fairer Charging is reviewed and updated to provide more effective management information enabling improved performance monitoring and decision-making. The background ‘eventual’ collection KPI is relevant but needs to be more reflective of current performance and so we would suggest the longest period to track ‘eventual’ collection over should be a rolling 3-year period.

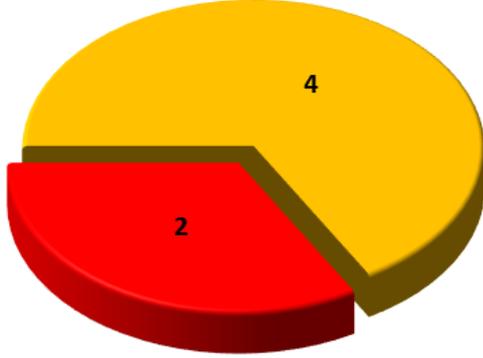
2018-19 R7 – We recommend a KPI is introduced to monitor the 90-day collection rate and suggest the Oracle Business Intelligence Receivables Performance Dashboard KPI should be used for this purpose. This will provide management with a view of current short-term collection performance and highlight issues much earlier than the current KPI.

2018-19 R8 – The Fairer Charging team should analyse the debt it is owed and adjust its recovery plans accordingly.

2013-14 R4 – There should be greater control over access to the ContrOCC IT system. (The recommendation remains outstanding at present but no response is required within this audit)

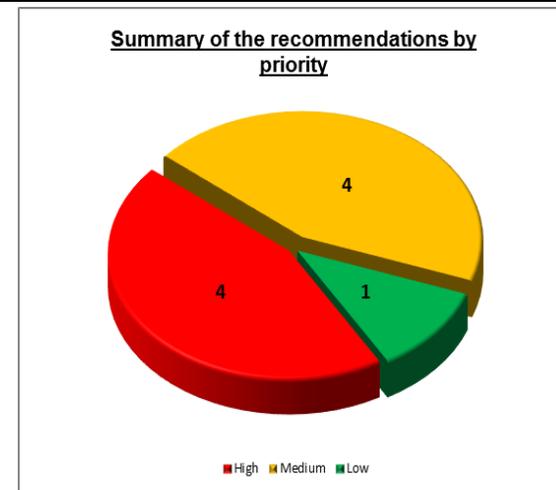


Executive Summary - ContrOCC Feeders

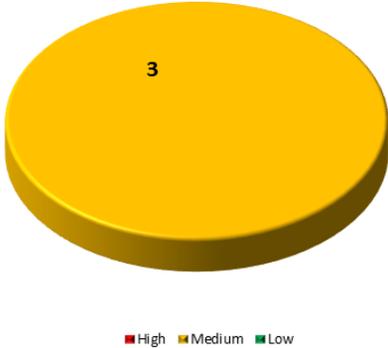
<p>Department: Children and Adults</p> <p>Previous review: None</p>	<p>Overall Opinion:</p> <p>Limited Assurance </p>	<p>Direction of Travel: </p> <p>No Previous Review</p>								
<p><u>Scope and Approach:</u> This review considered the following aspects:</p> <ul style="list-style-type: none"> • Document the payment / income system • Review the methodology by which data is transferred • Review and test a sample of each system to ensure the file transfers are accurate and complete • Review any reconciliations undertaken by the host 										
<p>High Priority Recommendations</p> <p>2018-19 R2 – The officers responsible for administering a payment run should not carry the function of changing bank details. This segregation of duties is observed by all services; therefore, the access to change bank account details should be removed from these officers.</p> <p>2018-19 R4 – To reduce the risk of fraud occurring / assist with the detection of fraud, the authorising officer (who is segregated from the process of inputting bank details) should use the D5 Control Report to check that any new bank accounts have been created correctly. This would involve checking that there is valid evidence of a change in bank details and ensuring the details input onto the system match those submitted on the evidence. Any discrepancies should be reported immediately to senior management.</p> <div data-bbox="1224 675 1980 1265" style="border: 1px solid black; padding: 10px;"> <p style="text-align: center;"><u>Summary of the recommendations by priority</u></p>  <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Priority</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>2</td> </tr> <tr> <td>Medium</td> <td>4</td> </tr> <tr> <td>Low</td> <td>0</td> </tr> </tbody> </table> </div>			Priority	Count	High	2	Medium	4	Low	0
Priority	Count									
High	2									
Medium	4									
Low	0									

Executive Summary - Selective Landlord Licensing

<p>Department: Commercial & Operations</p>	<p>Overall Opinion: Limited Assurance</p> 	<p>Direction of Travel: N/A</p>
<p>Previous Review: This is the first audit of this new activity</p>	<p><u>Scope and Approach:</u> This review considered the following aspects:</p> <ul style="list-style-type: none"> • Business case/business plan/action plan and surrounding documentation (including risk register & Equalities Impact Assessment) • Monitoring against the business plan • Roles, responsibilities and competencies • Budgetary control • Policies, procedures and processes • Management information / Assurance • GDPR/Records management compliance 	
<p>High Priority Recommendations</p> <p>R1 Regular meetings of the Operational Delivery of Selective Licensing should take place to review and act on the performance and assurance framework for business objectives, including an annual evaluation of the scheme. Elements within the framework should be:</p> <ul style="list-style-type: none"> • KPIs • Cash flow & income reconciliation • Complaints • Risk • Budget including forecast • Operational Performance for Enforcement, Inspections and Applications including activity and workload • Business plan assumptions & financial sensitivity <p>R2 The performance and assurance framework should be defined and documented to include the factors outlined in R1, and should be regularly monitored and reported to ODSL. Evidence of this should be maintained. Actions arising from monitoring should be allocated to owners, with target date, and progress tracked</p> <p>R4 Operational performance specifications should be set and monitored including</p> <ul style="list-style-type: none"> • Enforcement Strategy for all classes of landlord • Processes for monitoring and progressing enforcement • Workload and activity targets for <ul style="list-style-type: none"> ○ Enforcement ○ Inspection ○ Applications <p>R7 An appropriate task allocation methodology (including automated allocation where possible) should be identified and introduced for each activity.</p>		



Executive Summary - Catering Contracts

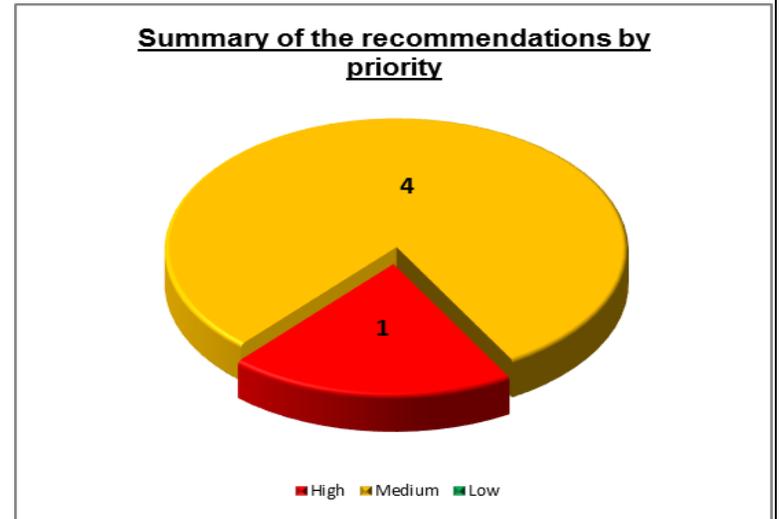
<p>Department: Commercial and Operations</p> <p>Previous review</p> <p>Whilst Catering Contracts have not previously been subject to an audit review, we did undertake work in 2016/17 that looked at the income collection processes in respect of these contracts. This work was followed up in 2018/19.</p>	<p>Overall Opinion:</p> <p>Significant Assurance </p>	<p>Direction of Travel:</p> <p>N/A</p>								
<p><u>Scope and Approach:</u> This review considered the following aspects in respect of Catering contracts.</p> <ul style="list-style-type: none"> • Business objectives / commercial strategy. • Legislative requirements. • Risk management and assurance. • Profitability and contract monitoring. 										
<p>High Priority Recommendations</p> <p>There are no high priority recommendations.</p>	<p><u>Summary of the recommendations by priority</u></p>  <table border="1"> <caption>Summary of the recommendations by priority</caption> <thead> <tr> <th>Priority</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>0</td> </tr> <tr> <td>Medium</td> <td>3</td> </tr> <tr> <td>Low</td> <td>0</td> </tr> </tbody> </table>		Priority	Count	High	0	Medium	3	Low	0
Priority	Count									
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Executive Summary - Cemeteries and Crematorium Income and Debt Management

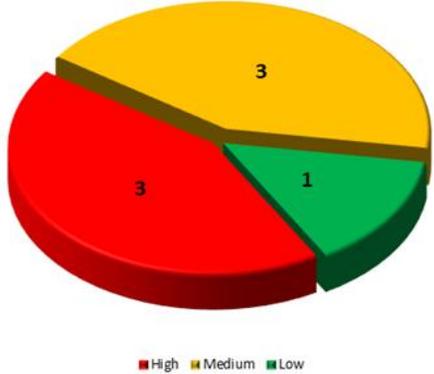
<p>Department: Neighbourhood Services</p>	<p>Overall Opinion: Significant Assurance </p>	<p>Direction of Travel: N/A</p>
<p>Previous review: None</p>	<p><u>Scope and Approach:</u> This review considered the following aspects of income and debt management:</p> <ul style="list-style-type: none"> • Review processes and ensure charges are approved • Review income collected is banked in full, any unders/overs are monitored and income is reconciled • Review invoices raised and ensure that the debt has been raised promptly, is accurate and complete and that there is sufficient supporting information for potential legal action for recovery of debt. • Review and analyse debt management records 	

High Priority Recommendations 2018/19

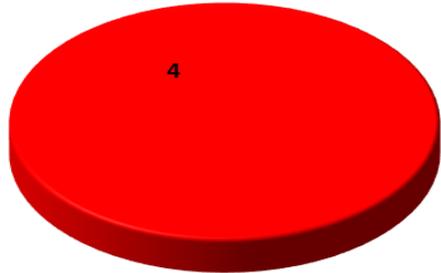
R1. The department should review the level of outstanding debt and agree a strategy to increase debt collection.



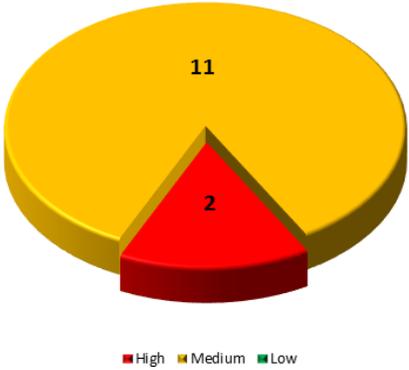
Executive Summary - Markets and Fairs Income and Debt Management

<p>Department: Sports, Culture & Parks</p> <p>Previous review: None</p>	<p>Overall Opinion:</p> <p>Limited Assurance </p>	<p>Direction of Travel: N/A</p>								
<p><u>Scope and Approach:</u> This review considered the following aspects of income and debt management:</p> <ul style="list-style-type: none"> • Review processes and written guidance • Review income collected is banked in full, any unders/overs are monitored and income is reconciled • Review invoices raised and ensure that the debt has been raised promptly, is accurate and complete and that there is sufficient supporting information for potential legal action for recovery of debt. • Review and analyse debt management records 										
<p>High Priority Recommendations:</p> <p>R1 Records held by Markets Office and the Estate Rents system should be reconciled.</p> <p>R2 Markets and Fairs should review the outstanding debts with a view to writing off debt that is uncollectable.</p> <p>R3 An exercise should be undertaken to establish the value of the overcharges. Refunds should be given where possible.</p>										
<p><u>Summary of the recommendations by priority</u></p>  <table border="1"> <caption>Summary of the recommendations by priority</caption> <thead> <tr> <th>Priority</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>3</td> </tr> <tr> <td>Medium</td> <td>3</td> </tr> <tr> <td>Low</td> <td>1</td> </tr> </tbody> </table>			Priority	Count	High	3	Medium	3	Low	1
Priority	Count									
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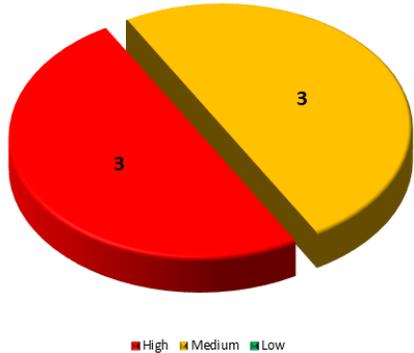
Executive Summary - Harvey Hadden Income and Debt Management

<p>Department: Sports, Culture & Parks</p> <p>Previous review: None</p>	<p>Overall Opinion:</p> <p>Limited Assurance </p>	<p>Direction of Travel: N/A</p>
<p><u>Scope and Approach:</u> This review considered the following aspects of income and debt management:</p> <ul style="list-style-type: none"> • Review processes and ensure charges are approved • Review income collected is banked in full, any unders/overs are monitored and income is reconciled • Review invoices raised and ensure that the debt is raised promptly, is accurate and complete and that there is sufficient supporting information for potential legal action for recovery of debt. • Review and analyse debt management records 		
<p>High Priority Recommendations:</p> <p>R1 Colleagues from Leisure and Finance should continue to resolve the issues identified.</p> <p>R2 EMSS and NCC Sports and Leisure should agree a protocol to allow for effective debt collection processes.</p> <p>R3 As per Financial Regulations, where possible, payments should be received in advance.</p> <p>R4 The Head of Service Sports and Leisure should be informed regularly of outstanding debts.</p>		<p><u>Summary of the recommendations by priority</u></p>  <p>■ High ■ Medium ■ Low</p>

Executive Summary - Section 106 Agreements

<p>Organisation: Nottingham City Council</p> <p>Directorate: Development and Growth</p> <p>Previous reviews:</p> <p>None</p>	<p>Overall Opinion:</p> <p>Limited Assurance </p>	<p>Direction of Travel: N/A</p>								
<p>High Priority Recommendations:</p> <p>2. A regular report to the appropriate Committee or Portfolio Holder should be introduced and reported on a regular basis.</p> <p>5. Monitoring of trigger points/ overdue contributions should be robustly and regularly reviewed to ensure prompt payment.</p>	<p><u>Scope and Approach:</u></p> <p>The scope of the audit will involve the review of the following:-</p> <ul style="list-style-type: none"> • Compliance with Planning Practice Guidance • Negotiation process • Monitoring arrangements • Collection of monies due • Process for waiving the agreement or writing off uncollectable debt and issuing refunds • Use of monies collected • Consideration of alternative methods <p><u>Summary of the recommendations by priority</u></p>  <table border="1"> <caption>Summary of the recommendations by priority</caption> <thead> <tr> <th>Priority</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>2</td> </tr> <tr> <td>Medium</td> <td>11</td> </tr> <tr> <td>Low</td> <td>0</td> </tr> </tbody> </table>		Priority	Count	High	2	Medium	11	Low	0
Priority	Count									
High	2									
Medium	11									
Low	0									

Executive Summary - Risk Management

<p>Department: Strategy & Resources/Organisation wide</p>	<p>Overall Opinion: Limited Assurance </p>	<p>Direction of Travel: N/A</p>								
<p>Previous review: There have been no recent reviews in this area</p>	<p><u>Scope and Approach:</u> Review of the arrangements in place for the management of risks across the Council.</p>									
<p>High Priority Recommendations</p>										
<p>R2 The RM Framework, risk register and action plan templates should be uploaded to the intranet and include links and contacts for best practice/further information and training.</p>	<p><u>Summary of the recommendations by priority</u></p>  <table border="1"> <caption>Summary of the recommendations by priority</caption> <thead> <tr> <th>Priority</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>3</td> </tr> <tr> <td>Medium</td> <td>3</td> </tr> <tr> <td>Low</td> <td>0</td> </tr> </tbody> </table>		Priority	Count	High	3	Medium	3	Low	0
Priority			Count							
High			3							
Medium	3									
Low	0									
<p>R3 Risk registers should be created for all departments and services and a schedule for review put in place.</p>										
<p>R6 A corporate level sponsor should be in place for RM across the organisation.</p>										

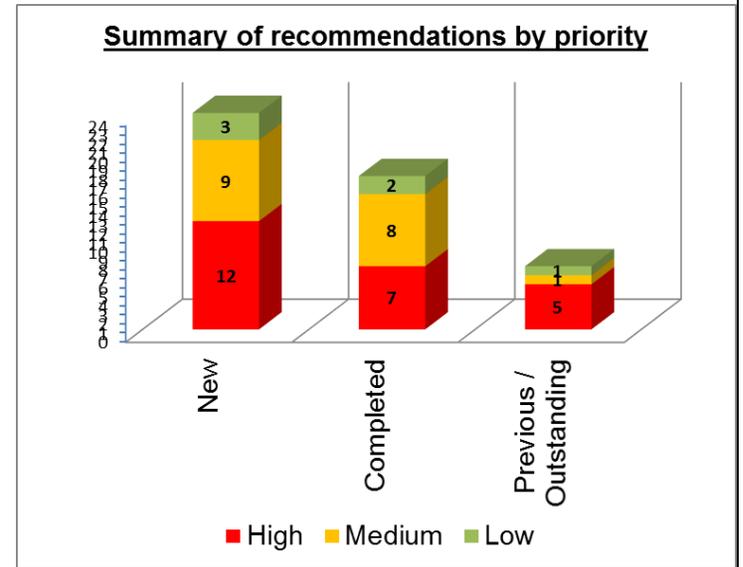
Executive Summary - IT Physical and Environmental Controls

<p>Department: Strategy & Resources and Commercial & Operations</p>	<p>Overall Opinion: Limited</p>	<p>Direction of Travel: </p> <p>No previous review</p>
<p>Previous review: None</p>	<p><u>Scope and Approach:</u> This audit review considered the aspects listed below with regards to the Data Centre at Loxley House:</p> <ul style="list-style-type: none"> • Assessment of available policy and procedures • The physical security arrangements in place • The environmental protection arrangements in place • Maintenance records • The capacity for the data centre, i.e. adequacy of the server rooms equipment and storage • Backup electricity supplies • Back up arrangements 	

High Priority Recommendations

Since issuing this report in draft, Facilities Management and IT have made improvements in the control framework and a high number of recommendations have been addressed.

- 2017/18 R2 A Data Centre Operational Policy should be created. It should be owned by IT with agreement from other parties.
- 2017/18 R5 An access policy should be created giving IT the controlling authority and incorporating:
- Access Level Permissions with requirements of escorted or unescorted access
 - The inclusion of a fast-track and out of hours process if access is required urgently or in an emergency

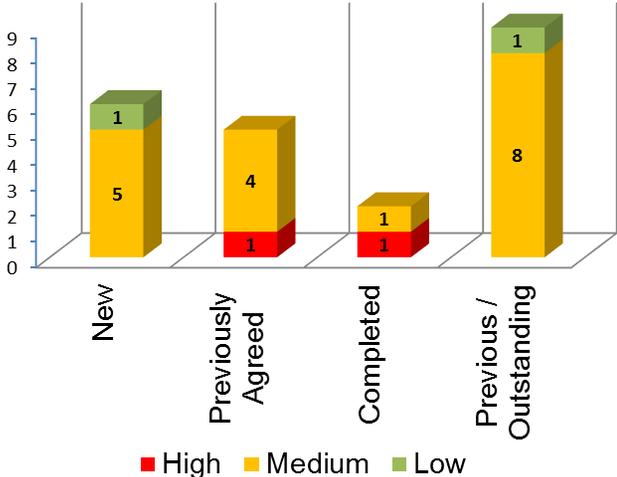


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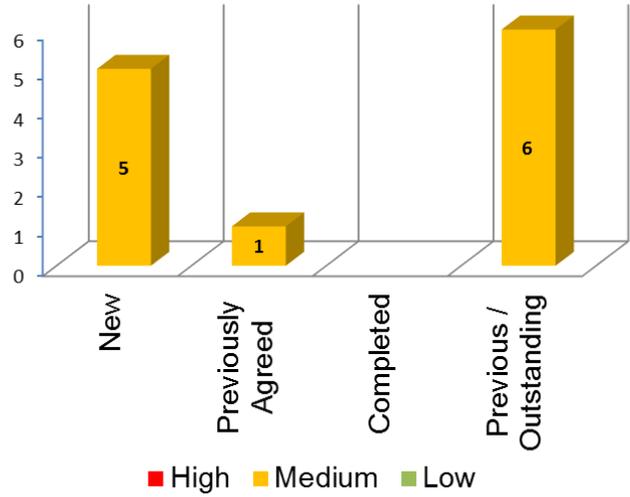
- Stricter controls / risk assessments dependent on the type of work required to be carried out
- A monitoring process and periodic control check / analysis of previous access

2017/18 R6	The data centre operational policy should have a dedicated section for contractor management. IT should not be responsible for all contractors who access the data centre and it is the department's or subsidiary's responsibility to ensure contractors abide by the council's policies.
2017/18 R7	A thorough procurement exercise should take place for the maintenance contract for the data centre. This should involve full consultation with Procurement, IT and Risk & Insurance.
2017/18 R9	The Environmental Monitoring Suite modem should be reconnected to allow it to function during non-working hours. In addition to this, the list of people the system alerts should be reviewed and adequate procedures and guidance should be provided to allow them to respond appropriately to an alert during non-working hours.
2017/18 R11	Assurances should be sought from 2bm Limited that appropriate measures are installed to avoid damage from sound wave pressure on activation of the Inergen Fire Suppression System.
2017/18 R12	A fire response policy should be created and include guidance for the investigation of potential false alarms or alerts.
2017/18 R13	Procedures should be documented which instruct employees on what can and cannot be done if a fluid incursion occurs. Any immediate preventative action should be identified as well as any health and safety limitations.
2017/18 R16	IT should consult the Risk & Insurance team to ensure the levels of insurance cover are appropriate and insurance policies meet the needs of all parties.
2017/18 R18	We recommend separate fire risk assessments are carried out specifically for the data centres at both Loxley House and Woodthorpe Grange and these should be completed annually.
2017/18 R20	Room Integrity testing should be completed annually and remedial work carried out if identified.
2017/18 R22	A Risk Register for FM should be created as a number of risks are not being captured and action to mitigate these risks are not being identified.

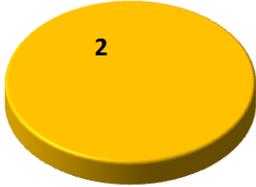
Executive Summary - Data Protection (Information Compliance)

<p>Department: Legal & Governance, Strategy & Resources</p> <p>Previous review: Data Protection 24 January 2017</p>	<p>Overall Opinion:</p> <p>Limited Assurance </p>	<p>Direction of Travel: </p>																				
<p><u>Scope and Approach:</u> This review considered the following aspects of Data Protection:</p> <ul style="list-style-type: none"> • DP and FOI performance including training coverage • Data breach process • Assurance process and compliance reporting • Resourcing • Review of sampled CCTV system • Response to the ICO 2018 'Privacy Sweep' • Follow up of recommendations made in our 2016/17 Data Protection audit report 																						
<p>High Priority Recommendations:</p> <p>No high recommendations have been made.</p> <div data-bbox="1215 808 1957 1382" style="border: 1px solid black; padding: 10px;"> <p style="text-align: center;">Summary of recommendations by priority</p>  <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Data for Summary of recommendations by priority</caption> <thead> <tr> <th>Category</th> <th>High</th> <th>Medium</th> <th>Low</th> </tr> </thead> <tbody> <tr> <td>New</td> <td>0</td> <td>5</td> <td>1</td> </tr> <tr> <td>Previously Agreed</td> <td>1</td> <td>3</td> <td>0</td> </tr> <tr> <td>Completed</td> <td>1</td> <td>0</td> <td>0</td> </tr> <tr> <td>Previous / Outstanding</td> <td>0</td> <td>8</td> <td>1</td> </tr> </tbody> </table> </div>			Category	High	Medium	Low	New	0	5	1	Previously Agreed	1	3	0	Completed	1	0	0	Previous / Outstanding	0	8	1
Category	High	Medium	Low																			
New	0	5	1																			
Previously Agreed	1	3	0																			
Completed	1	0	0																			
Previous / Outstanding	0	8	1																			

Executive Summary - Budget Monitoring

<p>Department: Strategy & Resources, Finance</p> <p>Previous review: Interim Budget Monitoring Report September 2018</p>	<p>Overall Opinion: Significant Assurance </p>	<p>Direction of Travel: n/a</p>										
<p><u>Scope and Approach:</u></p> <ul style="list-style-type: none"> ❖ Review of forecasting undertaken by Budget Managers in Oracle ❖ Review of training received by Budget Managers ❖ Overview of areas overspent in 2017/18 ❖ Review of budget monitoring in a sample of budgets ❖ Budget approval from Full Council ❖ Loading of the approved budget onto Oracle ❖ Budget monitoring procedures and responsibilities ❖ Sample testing of virements for compliance with Financial Regulations. 												
<p>High Priority Recommendations.</p> <p>None to report.</p> <div data-bbox="1230 764 1978 1354" style="border: 1px solid black; padding: 10px; margin-top: 20px;"> <p style="text-align: center;"><u>Summary of recommendations by priority</u></p>  <table border="1" style="margin-top: 10px; width: 100%; text-align: center;"> <thead> <tr> <th>Category</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>New</td> <td>5</td> </tr> <tr> <td>Previously Agreed</td> <td>1</td> </tr> <tr> <td>Completed</td> <td>0</td> </tr> <tr> <td>Previous / Outstanding</td> <td>6</td> </tr> </tbody> </table> </div>			Category	Count	New	5	Previously Agreed	1	Completed	0	Previous / Outstanding	6
Category	Count											
New	5											
Previously Agreed	1											
Completed	0											
Previous / Outstanding	6											

Executive Summary - Treasury Management

<p>Department: Name Strategy & Resources</p> <p>Previous review: Treasury Management 2017-18; Issued March 2018</p>	<p>Overall Opinion: Significant Assurance </p>	<p>Direction of Travel: </p>
<p><u>Scope and Approach:</u></p> <p>This review considered the following aspects of the system:</p> <ul style="list-style-type: none"> • Treasury Management complies with the legislation and CIPFA code of practice to include borrowing and lending activities • The existence of an agreed Treasury Management strategy that follows CIPFA Treasury Management Code • A review of current processes to ensure the Treasury Management strategy is complied with • A review of Treasury Management activities to ensure that they are correctly recorded in the accounts • A review of the Investment Strategy including debt repayment • A review of prudential indicators and limits • A review of controls in place to ensure that investment opportunities are appropriately identified and a sound authorisation process is applied. • The existence and coverage of fidelity guarantees for all appropriate staff. 		
<p>High Priority Recommendations</p> <p>None</p>		<p><u>Summary of the recommendations by priority</u></p>  <p>■ High ■ Medium ■ Low</p>

Executive Summary - Main Accounting

<p>Department: Strategic Finance</p> <p>Previous review: Main Accounting 2017/18, 18 May 2018</p>	<p>Overall Opinion:</p> <p>Significant Assurance </p>	<p>Direction of Travel: </p>
<p><u>Scope and Approach:</u></p> <ul style="list-style-type: none"> • Review documentation of the systems and controls in place, ensuring that the controls are adequate to mitigate the main risks. • A review of the work carried out by the Central Finance Team, including the supporting processes in respect of ledger and interface integrity monitoring • The processes operated for journal input • The expectations of NCC external auditors in terms of expected key controls 		
<p>High Priority Recommendations</p> <p>There are no recommendations to report</p>		

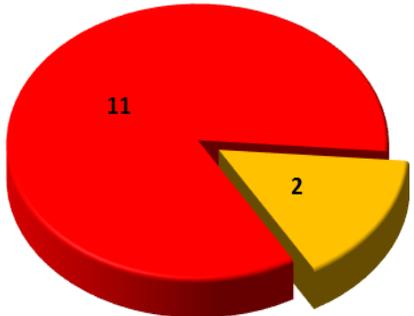
Executive Summary - Bank Reconciliation

<p>Department: Strategy & Resources</p> <p>Previous review: Bank Reconciliation 2017-18</p>	<p>Overall Opinion: Significant Assurance</p>	<p>Direction of Travel: Improvement</p>																				
<p><u>Scope and Approach:</u> This review considered the following aspects:</p> <ul style="list-style-type: none"> • Reconciliation of: <ul style="list-style-type: none"> ➢ NCC General Account ➢ NCC BACS Creditor Account ➢ NCC Oracle Creditor Cheque Account ➢ NCC Direct Bank Creditor Account ➢ NCC Office Suspense Account • Process review of automated income management system (Civica) • Follow up of recommendations raised during 2017/18 Internal Audit 																						
<p>High Priority Recommendations</p> <p>No recommendations outstanding</p> <div data-bbox="1325 760 1980 1263" style="border: 1px solid black; padding: 10px;"> <p style="text-align: center;">Summary of recommendations by priority</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Data for Summary of recommendations by priority</caption> <thead> <tr> <th>Stage</th> <th>High</th> <th>Medium</th> <th>Low</th> </tr> </thead> <tbody> <tr> <td>New</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Previously Agreed</td> <td>0</td> <td>3</td> <td>2</td> </tr> <tr> <td>Completed</td> <td>0</td> <td>3</td> <td>2</td> </tr> <tr> <td>Outstanding</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table> </div>			Stage	High	Medium	Low	New	0	0	0	Previously Agreed	0	3	2	Completed	0	3	2	Outstanding	0	0	0
Stage	High	Medium	Low																			
New	0	0	0																			
Previously Agreed	0	3	2																			
Completed	0	3	2																			
Outstanding	0	0	0																			

Executive Summary - Payroll & HR

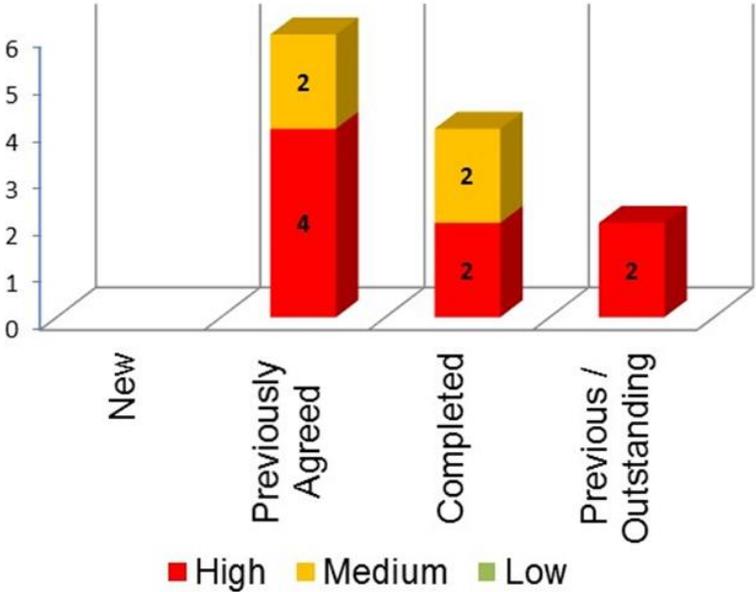
<p>Department: Strategy & Resources</p> <p>Previous review:</p> <p>HR & Payroll 2016/17</p> <p>HR & Payroll 2015/16</p>	<p>Overall Opinion:</p> <p>Significant Assurance </p>	<p>Direction of Travel:</p> <p>No Change </p>
<p><u>Scope and Approach:</u> This review considered the following aspects:</p> <ul style="list-style-type: none"> • Starters & Leavers • Casual employee payments • Notification of permanent amendments • Periodic verification of establishment 		
<p>High Priority Recommendations</p> <p>No recommendations</p>		

Executive Summary - Schools themed Audit (Purchasing)

<p>Department: Children and Adults</p> <p>Previous review: this is the first themed audit of purchasing across Nottingham City Council schools.</p>	<p>Overall Opinion:</p> <p>Significant Assurance </p>	<p>Direction of Travel: </p>								
<p><u>Scope and Approach:</u> This review considered the following aspects of school purchasing:</p> <ul style="list-style-type: none"> • Analysis of school spending • Purchases demonstrate value for money • Purchases are appropriate to the school • Purchases have been appropriately authorised • Payments have been made timely 										
<p>High Priority Recommendations</p> <ul style="list-style-type: none"> • For all purchases over £5,000, the school should obtain at least 3 alternative quotations. These should be considered by the Finance and General Purposes Committee before deciding which supplier to award the contract to. This should be documented in the Governors minutes. • For all purchases over £1,000, the school should obtain at least 3 alternative quotations. These should be considered by the Finance and General Purposes Committee before deciding which supplier to award the contract to. This should be documented in the Governors minutes. • The school should ensure that detailed minutes are taken at all meetings of the Governing Body and its sub committees. The approval of policies and key decisions made by the Governors should be clearly recorded in the relevant meeting minutes. • Official order forms, signed by the Head Teacher or other authorised member of staff, should be issued to suppliers for all goods and services being purchased by the school. <div data-bbox="1354 755 1980 1307" style="float: right; border: 1px solid black; padding: 10px;"> <p><u>Summary of the recommendations by priority</u></p>  <table border="1" data-bbox="1575 1258 1764 1291"> <thead> <tr> <th>Priority</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>11</td> </tr> <tr> <td>Medium</td> <td>2</td> </tr> <tr> <td>Low</td> <td>0</td> </tr> </tbody> </table> </div>			Priority	Count	High	11	Medium	2	Low	0
Priority	Count									
High	11									
Medium	2									
Low	0									

Executive Summary - Catering – School Meals Follow Up

Executive Summary

<p>Department: Commercial & Operations</p>	<p>Overall Opinion: Limited Assurance </p>	<p>Direction of Travel: Improving </p>																				
<p>Previous review: Catering – School Meals 2016/17.</p>	<p><u>Scope and Approach:</u> The scope was limited to a review of outstanding recommendations from the 2016/17 report.</p>																					
<p>High Priority Recommendations Outstanding</p> <p>R2 A periodic reconciliation should be carried out to ensure that all income due to the service is being received.</p> <p>R3b Work should be undertaken to calculate the exact value of the undercharges and make appropriate charges to the schools concerned.</p>	<p>Summary of recommendations by priority</p>  <table border="1"> <caption>Summary of recommendations by priority</caption> <thead> <tr> <th>Category</th> <th>High</th> <th>Medium</th> <th>Low</th> </tr> </thead> <tbody> <tr> <td>New</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Previously Agreed</td> <td>4</td> <td>2</td> <td>0</td> </tr> <tr> <td>Completed</td> <td>2</td> <td>2</td> <td>0</td> </tr> <tr> <td>Previous / Outstanding</td> <td>2</td> <td>0</td> <td>0</td> </tr> </tbody> </table>		Category	High	Medium	Low	New	0	0	0	Previously Agreed	4	2	0	Completed	2	2	0	Previous / Outstanding	2	0	0
Category	High	Medium	Low																			
New	0	0	0																			
Previously Agreed	4	2	0																			
Completed	2	2	0																			
Previous / Outstanding	2	0	0																			

Audit Title	Planned Days
Governance	230
Organisation	140
Key Financial Systems	181
Procurement & Projects Programme Management	180
Big Ticket / Risk Based Service Reviews	150
Compliance / Challenge	210
ICT and Information Governance	155
Counter Fraud	500
Corporate Fraud Strategy	110
Companies / Other Bodies	290
Consultancy, Advice and Support	250
Development , Redesign & Quality	175
Total Days	2571

Final Audit Reports Issued During 2018-19**Appendix D**

Audit Name	Level of Assurance
Council Tax	Significant Assurance
Housing Rents	Significant Assurance
Schools Themed Audit - Procurement	Significant Assurance
Housing Benefits	Significant Assurance
Main Accounting	Significant Assurance
Budgeting	Significant Assurance
Councilor's Allowances	Significant Assurance
Meals at Home	Significant Assurance
Libraries Income	Significant Assurance
ASC - Fairer Charging	Significant Assurance
Budget Monitoring	Significant Assurance
Development - Housing Grants	Significant Assurance
Income & Debt Management - Cemeteries & Crematorium 2018-19	Significant Assurance
EU Projects Follow Up	Significant Assurance
Catering Contracts	Significant Assurance
Nottingham Castle	Significant Assurance
Treasury Management 2018-19	Significant Assurance
Property Acquisitions - Follow-up	Significant Assurance
Main Accounting 2018-19	Significant Assurance
Bank Reconciliation 2018-19	Significant Assurance
NCC Payroll and HR 2018-19	Significant Assurance
NNDR	Limited Assurance
IT Audit - Cyber Security	Limited Assurance

Audit Name	Level of Assurance
Works Perks Follow Up	Limited Assurance
IT Audit - Physical & Environmental Controls	Limited Assurance
Property Acquisitions	Limited Assurance
Data Protection Follow Up	Limited Assurance
Capital Strategy & Fixed Assets Register	Limited Assurance
Risk Management	Limited Assurance
ASC - Adult Residential Care	Limited Assurance
NCC Accounts Receivable	Limited Assurance
School Meals Catering Follow Up	Limited Assurance
Community Centres	Limited Assurance
NCC Accounts Payable	Limited Assurance
Work Perks Data Analysis	Limited Assurance
Business Continuity and Disaster Recovery	Limited Assurance
ASC - ContrOCC Feeder Systems	Limited Assurance
Public Transport	Limited Assurance
Section 106 Fees	Limited Assurance
Income & Debt Management - Markets & Fairs 2018-19	Limited Assurance
Income & Debt Management - Harvey Hadden 2018-19	Limited Assurance
Environmental Health & Safer Housing - Selective Landlord Licensing	Limited Assurance
Growth Point Grant 2017-18	Grant Audit
DFG Capital Grant 2018-19	Grant Audit
BSOG Reform BBA (Better Bus Area) - certification of grant claim only	Grant Audit
LA Bus Subsidy Ring Fenced (Revenue) - grant claim certification only	Grant Audit
Highfields & Harvey Hadden - certification of accounts only	Charity Audit

External Assurances

Appendix E

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
LGA & Rand Europe	<p>National: LGA cyber security stocktake</p> <p>This report followed the NCSC’s cyber assessment framework and raised concerns over cyber security in English councils, giving each a RAG rating across the segments of the analysis and in particular noted</p> <ul style="list-style-type: none"> • training and awareness of cyber security issues and arrangements offer the greatest opportunity for improvement • strong technical underpinnings for the sector, which provides a robust basis for continued cyber security improvements to be built on • partnerships are strong, which contributes to more resilient cyber security practices 	<p>Essential information security awareness training has been delivered as e-learning in early 2019. Additional targeted support has been made available by the LGA following the report.</p> <p>A further Information Governance and Security Annual Assurance report will be delivered to Audit Committee later this year which will include cyber security.</p> <p>Internal Audit will continue to provide a range of IT audits throughout the year including assessments concerning cyber security.</p>
CQC – Adult Social Care:	<p>National: CQC State of Care report (Oct 2018)</p> <p>In adult social care, the highest vacancy rates in all regions in 2017/18 were for the regulated professions that include social workers. Demand is rising inexorably, not only from an ageing population but from the increasing number of people living with complex, chronic or multiple conditions. The capacity of adult social care provision continues to be very constrained: the number of care home beds dropped very slightly in the year, but what was noticeable were the</p>	<p>Adult social care is experiencing difficulties in recruitment of both social workers and occupational therapists. NCC has a workforce plan in development to address recruitment including ‘Grow your own’ training options appraisal.</p> <p>The increasing demand through complexity is notable, requiring the provision of high cost packages of support. NCC commissioning review of needs of people with complex conditions.</p> <p>A review of No Deal Brexit Planning was undertaken for the</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>wide differences across the country. (A CMA study of the Adult Social Care market in 2017-18 indicated medium to long term sustainability issues)</p> <p>The adult social care market remains fragile, with providers continuing to close or cease to trade and with contracts being handed back to local authorities.</p> <p>Ineffective collaboration between services affects access to care and support services in the community, which in turn leads to increased demand for acute services.</p> <p>Some adult social care services use clever ways to harness technology to improve people’s lives.</p>	<p>Audit Committee by colleagues across the council for a meeting in January 2019. Existing recruitment and retention pressures within Adult Social Care were acknowledged and that recruitment campaigns were running. NCC had also been supporting external providers with recruitment, and there had been an increase in capacity of homecare. Home care provision remains stretched and work is underway to determine the future provision required to ensure timely delivery of Home Care leading to delays in access to care and in transfers from hospital. NCC commissioning review and market management strategy.</p> <p>Nottingham City has an oversupply of residential care beds which is putting pressure on the market as vacancy levels are very high. This is being addressed through some bespoke market management targeting those providers at highest risk of failure. There is pressure on the market as a whole in Nottingham and pricing increases are being considered across all sectors to avoid staffing issues in one part of the sector if another sees a significant increase in pricing. Provider failure protocol is followed when necessary. Market surveillance maintains a risk based assessment of the market.</p> <p>There has been a lack of understanding of social care in the NHS and referrals which are not necessary e.g. to residential care when people could be supported at home. There has been a substantial increase in demand in mental health services. Work with people with multiple and complex needs who do not wish to engage is an increasing challenge in the city. NCC is actively engaging with partners to improve co-ordination through Complex Needs panel.</p> <p>Nottingham City actively uses assistive technology (AT) to avoid</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
		<p>or delay the need for care funded by the Better Care Fund and provided by Nottingham City Homes. Examples are the traditional pendant alarm, linked alarms such as smoke detectors and motion alarms, activity assessment sensors to determine levels of need, stand-alone equipment such as key sensors and an increasing use of digital applications. NCH provide a 24 hour telephone response and call out service in relation to the alarms as well as supplying and fitting other AT. Following a significant reduction in funding, the commissioned service has been re-focused to target citizens most in need. This is primarily people who are also in receipt of a social care package of care. Where citizens were not deemed to be at significant need, over 50% have chosen to self-fund their service through NCH. NCH are continuing to strengthen and develop their commercial offer. NCC has been successful in securing NHS Digital funding for innovation, funding development of an app to support independence and smart contracting in learning disability. A new assistive technology strategy, which will form part of the wider Digital Strategy, and a new Promoting Independence app are both in development. The strategy is overseen by the Digital Governance Group including from NCH forms part of this governance group. The strategy includes ongoing mechanisms for developing innovative solutions to Adult Social Care needs through a twice yearly innovation meeting between NCH and Adult Social care.</p>
CQC	Nottingham:	No additional assurance required

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>CQC NCC Loxley House Children's and Adults Community Care Services (Inspected 28Mar18 Reported 5Jun18) Overall rating and factor ratings all Good</p> <p>Nottingham Home Care Inspection Report (9Aug2018) Overall rating and factor ratings all Good</p> <p>Oakdene Residential Care Home Overall rating and factor ratings all Good</p>	
Ofsted	<p>Nottingham: Inspection of children's social care services (5-16Nov2019) Overall rating and factor ratings all Requires Improvement to be Good Whilst there are strengths, improvements needed are to:</p> <ul style="list-style-type: none"> • Management oversight of the use of private fostering. • The quality of planning for children and their review across all service areas. • The recognition of and timely action for children living with sustained neglect. • The quality of management oversight and supervision of social workers to progress children's plans. • The quality of return home interviews for children who go missing. • The educational progress and achievement for children in care. • The availability of sufficient and suitable emergency accommodation for vulnerable young 	<p>Areas for improvement have been broken down into a Children's Improvement Plan of specific actions with responsibility assigned and target dates for completion set. Just under 15% of the actions were complete on the plan as reported at the beginning of April 2019, and plans for 90% completion by July2019. The earliest remaining target date for any of the actions was March 2019.</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<p>people and children with complex needs.</p> <ul style="list-style-type: none"> The progress and timeliness of permanence plans for children, including fostering for adoption. 	
Ofsted	<p>Short inspection of Nottingham City Council Adult & Community Learning (Reported 28Mar2018) Overall rating and factor ratings all Good with progress in addressing weaknesses good. Next steps are highlighted to ensure as follows</p> <ul style="list-style-type: none"> all learners develop an appropriate understanding of the 'Prevent' duty and the risks associated with extremism and radicalisation the very small number of school-based computers used by adult learners are subject to rigorous monitoring managers make full use of targets to support performance monitoring and that timescales for action completion are appropriately challenging learners' session attendance is consistently high managers effectively support tutors to exploit confidently the available technology so that they enhance learning during taught sessions. 	<p>A post inspection action plan incorporating all the next steps highlighted with action milestones, assigned responsibilities and success criteria is being followed.</p> <p>Reported complete and review planned for July 2019</p> <p>Reported complete and review planned for July 2019</p> <p>Part complete – learner profile targets and data lag remain to be completed following a change of MIS and increase in number of partners</p> <p>Part complete – termly curriculum managers meetings have not taken place due to long term absence. Revised target date Sept 2019.</p> <p>Part complete – embedding participation of tutors is required, further work in Sept 2019</p>
Ofsted - Integrated Children's Services	<p>Nottingham: Ofsted annual conversation (as part of Ofsted Inspection of Local Authority Children's Services framework -ILACS) In the latest conversation Ofsted were interested to know more about were how NCC were</p>	<p>This assurance is managed through the annual conversation with Ofsted. NCC participates in inspections. A good assurance framework exists in this area.</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<ul style="list-style-type: none"> • managing the commissioning of placements for children in care, • our local work to respond to the challenges of knife crime and criminal exploitation in the City, • how we were continuing to improve outcomes for our children in care and • how we plan to continue to invest in our workforce and develop strong leadership at all levels. <p>Whilst their letter identified development areas as follows</p> <ul style="list-style-type: none"> • Measuring the impact of early interventions for vulnerable children • Progress with your inclusion agenda • Improving transitions through all education phases 	
Ofsted	<p>National: The Annual Report of Her Majesty’s Chief Inspector of Education, Children’s Services and Skills 2017/18 Particular concerns were raised in respect of SEND provision and off-rolling between years 10 and 11</p>	<p>SEND Nottingham City LA has a statutory responsibility to ensure that there is sufficient, high quality provision available locally to meet the needs of learners with SEND.</p> <ul style="list-style-type: none"> • In 2018 a detailed place planning/sufficiency analysis was undertaken which determined a requirement for an additional 48 special school places for young people with Autism and complex learning difficulties. • Evidence based approach to choose the most appropriate local school to host the new provision. • Funded refurbishment of an additional building on the site to host the first intake of learners (April 19). • Detailed planning for additional provision at feasibility stage - full consultation will be launched in the next month with the aim of completing the build by September 2020 funded through the Special Provision Capital Fund.

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
		<ul style="list-style-type: none"> • Working with the major programmes team and strategic finance to look at the development of a primary provision to meet the therapeutic needs of learners with social, emotional and mental health difficulties. Potential site and funding for development has been identified. • Reviewing the high needs funding system to mainstream schools to ensure that it is fit for the future. It will be working with primary schools over the summer term. The work will include how we make school buildings work for young people with SEND including developing therapy, withdrawal and sensory spaces and looking at the CPD requirements of schools they have access to a highly trained workforce. <p>The LA has developed a 5 year SEND strategy and progress against the identified actions are monitored through the SEND Accountability Board chaired by the Director of Education. The Board has members from education, health, social care (adults and children’s) and has a parent and carer representative.</p> <p>Off-Rolling With regards to off-rolling, the Nottingham Education Improvement Board report into off rolling Sept 2018 analysed National and local data to identify mechanisms of off-rolling, groups affected, and potential factors involved. The review has included</p> <ul style="list-style-type: none"> • Alternative Provision (AP) • Permanent Exclusions (PEX) • Electively Home Education (EHE) <p>This follows an NCC review into alternative provision and permanent exclusions in 2015 which highlighted a number of</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
		<p>financial issues and perverse incentives for schools' decision-making.</p> <p>Actions taken across Off-rolling including EHE & PEX can be summarised as :</p> <ul style="list-style-type: none"> • Communication with schools • Improving accuracy and completeness of data • Review of policy and incentives • Using Fair Access Protocols to monitor movement of children at risk of exclusion • Use of protocols to manage, control and account for moves to ensure provision is appropriate including school attendance orders, QA and Health and Safety, Safeguarding and management compliance checks for AP and DFE reporting • Expansion of the Inclusion Model to some devolved funding secondary schools and active pursuit of financial models to support schools joining the Inclusion Model • Early Help and Partnership Support - Routes 2 Inclusion developed and rolled out across Primary phase to support identification, assessment and intervention to support pupils with SEMH needs. Secondary development planned summer term 2019. Offer is being developed to provide support from services to the most at need in schools
Ofsted & others	<p>National: Growing up neglected: a multi -agency response to older children (July 2018) This multi-inspectorate report highlighted learning from six inspections of local authority areas with a focus on the neglect of older children. It called for a greater awareness</p>	<p>Nottingham City Child Safeguarding Board undertook an in-depth audit on neglect that included a focus on older children in 2018. It followed the guidance issued and identified a number of strengths.</p> <p>Resulting learning and actions include:</p>

External Assurance Provider - Relevance	Assurance Scope : Concerns	Further Assurance Activity
	<ul style="list-style-type: none"> • of the neglect of older children and a focus on trauma-based approaches to tackling it. • among professionals in adult services of the risks of neglect of older children who are living with parents with complex needs. 	<ul style="list-style-type: none"> • actions to improve understanding of the factors in neglect • actions to promote better working across teams and agencies • improvements in planning and monitoring actions • a range of actions either already taken or proposed to tackle Child Criminal Exploitation together with measures to assess the impact of these actions
UK Finance	<p>National: Fraud The Facts 2019 The report sets out fraud trends in the banking and payments industry and the finance sector's responses</p>	<p>NCC has mandatory Information Security Awareness training which incorporates guidance on avoiding a number of the key channels for fraud. There are established documented internal processes for requesting and authorising all payments. Additional controls have been deployed in the payments system to help identify any inappropriate payments before payment is made. The measures deployed by NCC's businesses in their income systems are subject to review by internal audit.</p>
KPMG	<p>Nottingham: External Audit of Housing Benefit subsidy – The latest reported audit is for the year 2016/17 and resulted in subsidy clawback.</p>	<p>We continue to review the outturn of subsidy audits and the associated systems as part of our internal audit work and make recommendations for improvements where appropriate.</p>

Levels of Assurance

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

- | | |
|------------------------------|---|
| Significant Assurance | 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. |
| Limited Assurance | 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. |
| No Assurance | 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

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

1. Introduction

1.1. This charter sets out the purpose, authority and responsibility of the internal audit activity at Nottingham City Council. It establishes the position of internal audit and the chief audit executive within the organisation, including reporting relationships with the 'board'. It covers the arrangements for appropriate resourcing; defines the scope of internal audit activities and role of internal audit in any fraud-related work. It includes arrangements for avoiding conflicts of interest (**for example** if internal audit undertakes non-audit activities). It also sets out the objectives, framework and services delivered by internal audit (which are in accordance with the mandatory Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing as outlined in the Public Sector Internal Audit Standards (PSIAS)).

2. Purpose, Authority & Responsibilities

Definition of Internal Auditing

2.1. Internal audit's purpose is to provide an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2.2. In accordance with the PSIAS internal audit shall have right of access to all

- records, documents, correspondence, data or information systems, including those of third parties,
- assets including those held on behalf of others,
- personnel, and
- premises or land and
- such information, explanations or assistance as it considers necessary to fulfil its responsibilities from any employee, contractor, supplier, customer, partner
- Senior Management and Statutory Officers, the Executive and Audit Committee

The rights above apply equally to organisations which have links with or provide services on behalf of Nottingham City Council, its group companies, joint ventures and partnerships (e.g. wholly owned companies, voluntary organisations or other agents acting on behalf of the Council) where the City Council has a statutory or contractual entitlement to exercise such right. These rights shall be included in all contractual arrangements entered into with such organisations.

3. Responsibilities

The Board (Audit Committee)

The PSIAS lays out the role of a Board in relation to specific standards. In a local authority an Audit Committee may satisfy the role of the Board. At Nottingham City Council the Audit Committee fulfils the role and responsibilities of the Board as laid out in the PSIAS. The Audit Committee helps to demonstrate the highest standards of corporate governance, public accountability and transparency in the Council's business.

- 3.1. The key duties of the Board as laid out in the PSIAS and how compliance is achieved are as follows:

PSIAS ref	Duty of the Board	Compliance or Explanation
1000	Approve the Internal Audit charter	Comply
1110	Approve the risk based Internal Audit plan, the Internal Audit budget and resource plan including any significant* changes	Comply (budget and resources to be approved by S151 officer)
1110	Approve decisions relating to the appointment and removal of the Chief Audit Executive	This role is fulfilled by S151 officer but NCC recruitment process allows the Chair to be a key representative on recruitment panel. The Chair would also have to agree on any decision to remove the CAE.
1110	Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity	Comply
1110	Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations	Comply

PSIAS ref	Duty of the Board	Compliance or Explanation
1110	The chair to provide feedback for the Chief Audit Executive's performance appraisal	Comply
1130	Approve significant* additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted	Comply
1320	Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive	Comply
2020 & 2030	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	Comply
2060	Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.	Comply

*Significant is taken to mean 10% of the audit plan in days.

Senior Management

3.2. The role of Senior Management includes the following:

PSIAS Ref	Role
1000	Approve the internal audit charter
1100	Allow the Chief Audit Executive direct and unrestricted access to meet with them and report to them
1111	To provide feedback for the Chief Audit Executive's performance appraisal
1130	Receive details of any impairment to independence or objectivity disclosed by the Chief Audit Executive
2010	Input to the risk based Internal Audit plan
2060 & 2500	Receive periodic reports from the Chief Audit Executive on internal audit activity that includes follow up reports
1312	Act as sponsor for external assessments of the Internal Audit function

PSIAS Ref	Role
1320	Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive
1322	Receive disclosure of non-conformance with PSIAS from the Chief Audit Executive
2020 & 2030	Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the impact of any resource limitations and other matters
2060	Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board
2330 & 2440	Approve release of engagement records or results to external parties, as appropriate

3.3. Within Nottingham City Council 'Senior Management' is defined as the Section 151 Officer, Statutory Officers, Corporate Directors and Directors. These officers will meet with the Chief Audit Executive on request (Standard 1100).

3.4. At Nottingham City Council the Chief Finance Officer (and S151 Officer) has line management responsibilities for the Chief Audit Executive at the time of approval of this report. The officer with line management responsibilities for the Chief Audit Executive will

PSIAS Ref	Role
1000	Approve the internal audit charter
1130	Receive details of any impairment to independence or objectivity disclosed by the Chief Audit Executive
1312	Act as sponsor for external assessments of the Internal Audit function
1320	Receive the results of the quality assurance and improvement programme
1322	Receive disclosure of non-conformance with PSIAS from the Chief Audit Executive
2020 & 2030	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
2330	Approve release of engagement records or results to external

PSIAS Ref	Role
& 2440	parties, as appropriate

Chief Audit Executive

- 3.5. The Chief Audit Executive is a professionally qualified (CMIIA, CCAB or equivalent) person with suitable experience in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the PSIAS Definition of Internal Auditing, the Code of Ethics and the Standards. Within Nottingham City Council the Head of Audit & Risk is the designated ‘Chief Audit Executive’.
- 3.6. The Chief Audit Executive will maintain an effective working relationship with the Audit Committee, this will include:

PSIAS ref	Role
1000	Prepare and submit for approval the internal audit charter
1110	Prepare an annual confirmation with regard to the organisational independence of the internal audit activity
1110	Report on whether there are inappropriate scope or resource limitations
1130	Report for approval significant* additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted
1312	Discuss the form of external assessments and the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest
1320 & 1322	Report the results of the Quality Assurance and Improvement Programme including the assessor’s evaluation with respect to degree of conformance and disclosure of non-conformance and its impact
2020 & 2030	Communicate internal audit’s audit plan and resource requirements including the approach to using other sources of assurance, any significant* changes and the impact of any resource limitations and other matters
2060	Report on the internal audit activity’s purpose, authority, responsibility and performance relative to its plan. Reporting must

PSIAS ref	Role
	also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.
2450	Deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement
2500	Establish a follow up process to monitor that management actions have been effectively implemented or that senior management has accepted the risk of not taking action
2600	Communicate to senior management and if necessary the board where concluding that management has accepted a level of risk which is unacceptable to the organisation
1000	Attend board meetings and contribute to the agenda.
	Arrange for the provision of training and technical support to keep board members informed of relevant legislation, good practice and governance issues.
	Participate in the board's review of its own remit and effectiveness.
	Access to all reports. Those considered to be of the highest risk will be highlighted and brought to their attention.

- 3.7. Progress reports will include the outcomes of internal audit work in sufficient detail to allow the board to understand what assurance it can take from that work, and / or what unresolved risks or issues it needs to address.
- 3.8. The annual internal audit report will include an overall opinion on the control environment, the extent to which the audit plan has been achieved, and a summary of any unresolved issues.
- 3.9. In addition the Chief Audit Executive will:

PSIAS ref	Role
2330	Control access to and develop retention requirements consistent with the organisations guidelines and other requirements for engagement records and obtain approval of senior management prior to releasing such records to external parties, as appropriate.
2340	Ensure that engagements are properly supervised

PSIAS ref	Role
2440 & 2421	Review and approve communication of results of engagements to parties who can ensure that the results are given due consideration and correct any final communication error or omission to all relevant parties. Control release of results to parties outside the organisation.

Internal Audit

- 3.10. Internal Audit's responsibilities include looking at how risk management, control, governance processes, and other resources are managed, and working with managers to add value, and improve the security, efficiency and effectiveness of their processes.
- 3.11. Individual auditors are responsible for ensuring that they operate with due professional care. This means they will follow the Nottingham City Council Internal Audit Code of Ethics in section 12 of this charter.
- 3.12. Internal auditors will make every effort to ensure a high quality service that complies with the PSIAS.

4. Position within the Organisation (including reporting relationship with the board)

- 4.1. The Council will ensure that the Chief Audit Executive will remain independent of the key areas identified for audit and ensure that auditors perform their duties impartially, providing effective professional judgements and recommendations. Internal Audit will not have any operational responsibilities.
- 4.2. Accountability for the response to advice, guidance and recommendations made by Internal Audit lies with management. Management can either accept or implement the advice and recommendations or reject it, having regard to any statutory responsibilities and overriding instructions of the Council. Internal Audit retain the right to review the relevant policies, procedures, controls and operations at a later date, notwithstanding any advice, guidance or recommendations made.
- 4.3. The Chief Audit Executive will report the results of audit work in accordance with responsibilities set out in this charter and mandated by PSIAS including reporting to senior managers and the board.

Note: The terms 'senior managers and the board' are defined above.

5. Resourcing

- 5.1. The service will be delivered to professional standards by appropriately qualified, knowledgeable, experienced and skilled staff. The Chief Audit Executive will define the mix of these attributes through the Internal Audit Training Strategy, which will be updated on an annual basis to maintain an effective and agile audit service, support the audit plan and performance appraisals.
- 5.2. Internal Audit will seek more efficient and effective ways to deliver the audit service, provide assurance to councillors and help improve value for money and quality of Council services. Internal Audit will work to introduce continuous audit with the aim of evaluating control effectiveness across key systems on an ongoing basis and highlight high risk transactions or events on a timely basis.
- 5.3. Internal Audit will work with partners from local government and other sectors as necessary to ensure we have the right skills and resources to deliver a quality driven professional service to the Council.
- 5.4. Internal Audit will work in partnership with other inspection bodies to ensure that we get the maximum audit coverage from the resources invested; taking assurance from each other's work where appropriate.
- 5.5. If the Chief Audit Executive or those charged with governance consider that the adequacy and sufficiency of internal audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of Internal Audit, they will advise Senior Management and, if appropriate, the Executive accordingly.
- 5.6. Sufficiency of Internal Audit resources will be determined in accordance with the Internal Audit Planning Methodology.

6. Scope

- 6.1. The scope for Internal Audit is the control environment comprising risk management, control and governance of Nottingham City Council, and includes all of the Council's, its partners', group and associate companies' operations, resources, services and responsibilities in relation to other bodies. It covers all financial and non-financial related activities, systems and resources of the Council at all levels of its structure.

- 6.2. The internal control system is defined as including the whole network of systems and controls established by management to ensure that the objectives are met. It includes both financial and other controls for ensuring that corporate governance arrangements are satisfactory and best value is achieved. In determining where effort should be concentrated, the Chief Audit Executive will take account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving its objectives. Internal Audit may contribute to this by identifying elements of an appropriate corporate assurance framework.
- 6.3. Internal Audit will consider the results of the Council's risk management processes. Where the results indicate adequate action has already been undertaken to manage the risks / opportunities Internal Audit will take this into account. Where the results indicate that insufficient work has been done then Internal Audit may undertake a separate review.
- 6.4. The scope of audit work extends to services provided through partnership arrangements. The Chief Audit Executive will decide, in consultation with all parties, whether Internal Audit conducts the work to derive the required assurance or rely on the assurances provided by others. Where necessary, the Chief Audit Executive will agree appropriate access rights to obtain the necessary assurances.
- 6.5. Internal Audit will not undertake tasks, which are likely to compromise its independence, internal control functions or certification processes.
- 6.6. To enable Internal Audit to meet its objectives, it will undertake work within a scope of activities including but not limited to any of the following:
- review of controls within existing systems and systems under development
 - compliance with policies and procedures including Financial Regulations
 - transactions testing to ensure accuracy of processing
 - contract audit
 - establishment reviews
 - computer audit including data analytics
 - anti-fraud work
 - investigation of suspected fraud and irregularities
 - value for money reviews and transactions testing
 - provision of advice to Directorates and establishments including consulting services

- provision of audit services to external clients.

Consulting Service

- 6.7. The PSIAS defines consulting services as follows: “Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation’s governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.” No non-audit activities will be undertaken. The terms of reference of any consulting services will be designed to avoid impairment of objectivity for future audits.
- 6.8. The PSIAS requires that approval must be sought from the Board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement (Standard 1130.) Within Nottingham City Council significant is defined as any single assignment equivalent to 5% of annual planned days; these will be brought to the Audit Committee for approval. The decision to include it in the plan will depend on the level of risk identified and whether reliance can be placed on opinions provided by others.

Fraud & Corruption

- 6.9. The primary responsibility for the prevention and detection of fraud and corruption lies with management, who are also responsible for the management of fraud risks. In support of this, internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest when performing their individual audits. They will also have sufficient knowledge to identify indicators that fraud or corruption may have been committed.
- 6.10. The arrangements within the City Council’s Counter Fraud Strategy and Fraud Response Plan, requiring that the Chief Audit Executive is notified of all suspected or detected fraud, corruption or impropriety, immediately. This enables the response plan to be implemented and helps to inform the Chief Audit Executive’s annual internal audit opinion and the risk-based plan
- 6.11. The role of Internal Audit in any fraud-related work will be determined in accordance with the Fraud Response Plan.

7. Avoiding Conflicts of Interest

- 7.1. Internal audit staff will maintain an impartial, unbiased attitude to their work and will avoid conflicts of interest.
- 7.2. The Chief Audit Executive will maintain a register of interests for Audit staff. Any interests declared will be taken into account when planning and delivering work.
- 7.3. Arrangements exist to enable audit managers to report directly to the Section 151 Officer on any activities that are managed by the Chief Audit Executive.
- 7.4. Assignment arrangements preclude internal auditors from assessing specific operations for which they were previously responsible or where a substantive conflict of interest is identified including previous consulting activity that could be seen as impairing objectivity.

8. Business Plan Objectives

- *To deliver an internal audit service that meets professional and mandatory standards and delivers suitable assurance to the Council.*
- *To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*
- *To deliver an effective counter fraud service to prevent, detect and deter fraud and error.*

9. Statutory Requirements

- 9.1. There is a statutory requirement for Local Authorities to have **an** internal audit and counter fraud function. This service is provided for the Council in-house. The **Chief Audit Executive** provides a continuous internal audit and counter fraud service and reviews the Council's controls and operations.
- 9.2. The services provided are in accordance with the following legal and professional requirements subject to any enacted amendments:

Legal:

- *Accounts and Audit Regulations 2015* [requirement for an internal audit and requirement for officers or councillors to provide information and records requested, the requirement to take account of PSIAS]
- *Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013* [powers to require information in relation to council tax offenders]
- *Criminal Justice Act 2003*

- *Criminal Procedures Investigation Act 1996*
- *Data Protection Act 2018 & General Data Protection Regulation*
- *Fraud Act 2006*
- *Bribery Act 2010*
- *Freedom of Information Act 2000*
- *Human Rights Act 1998*
- *Local Government Acts*
- *Police & Criminal Evidence Act 1984*
- *Proceeds of Crime Act 2002 & Criminal Finances Act 2017*
- *Regulation of Investigatory Powers Act 2000*
- *Social Housing Fraud (Power to Require Information) Regulations 2014*
- *The Protection of Freedoms Act 2012*
- *Theft Act 1978*
- *Welfare Reform Act 2012*
- *Public Interest Disclosure Act 1998*

Professional Requirements:

- *Relevant CCAB professional guidance including the Public Sector Internal Audit Standards*
- *Department for Work & Pensions (DWP) Performance Standards Framework*
- *Information Security - BS EN ISO27001:2013*

- 9.3. The Chief Audit Executive reports to the Section 151 Officer under the Local Government Act 2002.
- 9.4. The Council adopted the CIPFA / SOLACE code of corporate governance in July 2002. This code together with the Statement of Recommended Practice (SORP) 2002 introduced the requirement for an annual statement of assurance to be made. The Council has subsequently reviewed / revised their Local Code of Governance in accordance with successive updates to the CIPFA / SOLACE Framework - Delivering Good Governance in Local Government. This means that the Chief Executive and Leader are required to sign a formal corporate assurance statement (known as the Annual Governance Statement (AGS)) on the effectiveness of the Council's governance arrangements and identify any significant governance issues.
- 9.5. Internal Audit has a role to play in advising Directors regarding the processes, and reporting mechanisms needed to compile their own assurance statements, which the AGS will be based on. An assurance framework has been introduced which places greater reliance on 'management assurance'. This is obtained from individual officers around

specific areas of risk and the assurance documentation completed annually at both directorate and business unit level.

9.6. In addition the Council is developing an assurance framework and assurance mapping in order to better achieve its objectives.

9.7. The audit plan is risk based and delivered to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place. The Chief Audit Executive opinion will be prepared using the following sources of assurance, Internal / External Audit work, the AGS process, Risk Management processes and assurances identified in the assurance framework. Internal Audit will work with other assurance providers to improve overall coverage and avoid duplication of effort.

9.8. The Chief Audit Executive gives an opinion on the internal control environment, which forms part of the AGS, which the Council is legally required to produce as part of the final accounts. The work undertaken by Internal Audit makes an important contribution to providing assurance around the control environment, and the content of the AGS. The categories of work include but are not limited to: -

- *Section 151 work around the major and significant financial systems*
- *IT Governance*
- *Audit around the major risks and the risk management process*
- *Audit of corporate governance / business control assurance arrangements*
- *Evaluating the assurance available from other sources*
- *Counter fraud activities*
- *Work to ensure adequate whistleblowing arrangements*

10. The Annual Audit Plan

10.1. The Internal Audit Planning Methodology involves the following steps:

1. **Understand corporate objectives and risks** by reviewing the Council Plan and Corporate Risk Register
2. **Understand departmental risks** by reviewing departmental risk registers
3. **Consider local and national issues** and how Nottingham City Council is affected
4. **Consult with key stakeholders within NCC** to identify potential emerging risks and to consider the expectations of stakeholders for internal audit opinions and other conclusions

5. **Utilise the Assurance Framework** to identify any possible gaps that represent potential reviews for inclusion in the Audit Plan, this will include external providers including external auditors
 6. **Consider the requirements of the PSIAS** and ensure that the Internal Audit Plan reflects the expectation of the standard.
 7. **Consider the results from Internal Audit reviews/recent experience** and put forward areas of concern as potential reviews including professional judgement on the risk of fraud and error
 8. **Determine the minimum level of audit coverage**, timing and scope of audits to provide the annual Head of Audit Opinion on the control environment. This includes determining the approach to using other sources of assurances and any other work required to place reliance upon those other sources
 9. **Consider the level of resources available** for the delivery of the audit plan including that these are appropriate, sufficient and effectively deployed.
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- 10.2. The number of days allocated in the plan will include the resources required to provide internal audit services to external clients.
 - 10.3. Following discussions with the External Auditors Internal Audit agreed that each of the systems they designate as 'key financial systems' would feature in the audit plan, unless otherwise directed.
 - 10.4. Internal Audit will assess the Council against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Prevention and detection of fraud remains a priority for the Council.
 - 10.5. Internal Audit will continue to develop its approach to audit work following best practice to put more emphasis on reducing the risk of fraud. Counter fraud activity will include both reactive and proactive fraud work and providing further assistance to officers to better manage the risk of fraud through prevention, detection and deterrence. This will include work in relation to the NFI.
 - 10.6. Follow up audits will be undertaken in accordance with the Internal Audit Follow-Up Policy which ensures compliance with PSIAS requirements.
 - 10.7. Consultancy work will be undertaken within the limitations of existing resources.
 - 10.8. A Charging Policy has been implemented. An appropriate charge will be made based on the type of work involved, priority and resources required.

Requested work will be refused if in the opinion of the Chief Audit Executive it fails to provide an adequate level of prioritised assurance.

11. Quality Assurance and Improvement

11.1. In accordance with PSIAS the Chief Audit Executive (CAE) has developed and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity.

11.2. The Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders that Internal Audit:

a) Performs its work in accordance with its Charter, which is consistent with the PSIAS

b) Operates in an effective and efficient manner; and

c) Is perceived by stakeholders as adding value and improving Internal Audit's operations.

d) To that end, Internal Audit's QAIP will cover all aspects of the Internal Audit activity (PSIAS Attribute Standard 1300).

11.3. The Chief Audit Executive is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consulting.

11.4. All members of the Internal Audit team have responsibility for maintaining quality.

12. NCC IA Code of Ethics

The code of ethics is a mandatory element of public sector internal audit as a result of the Public Sector Internal Audit Standards. The following requirements are set out by the standards and apply to NCC IA.

Components

1 Principles that are relevant to the profession and practice of internal auditing;

2 Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members and those who provide internal auditing services within the definition of internal auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide internal auditing services.

1 Integrity

Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2 Objectivity

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct

Internal auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3 Confidentiality

Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct

Internal auditors:

3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4 Competency

Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

Internal auditors:

4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

4.2 Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.

4.3 Shall continually improve their proficiency and effectiveness and quality of their services.

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life, which are as follows:

The Seven Principles of Public Life

The Principles of public life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.