

11 November 2021

Agenda Item: 8

REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT

INTERNAL AUDIT PROGRESS TERM 1 2021-22 AND TERM 3 PLAN 2021-22

Purpose of the Report

1. To inform Members of the work carried out by Internal Audit in Term 1 of 2021/22, to allow Members to consider whether they wish to receive any further follow-up reports.
2. To consult with Members on the Internal Audit Plan for Term 3 of 2021/22.

Information

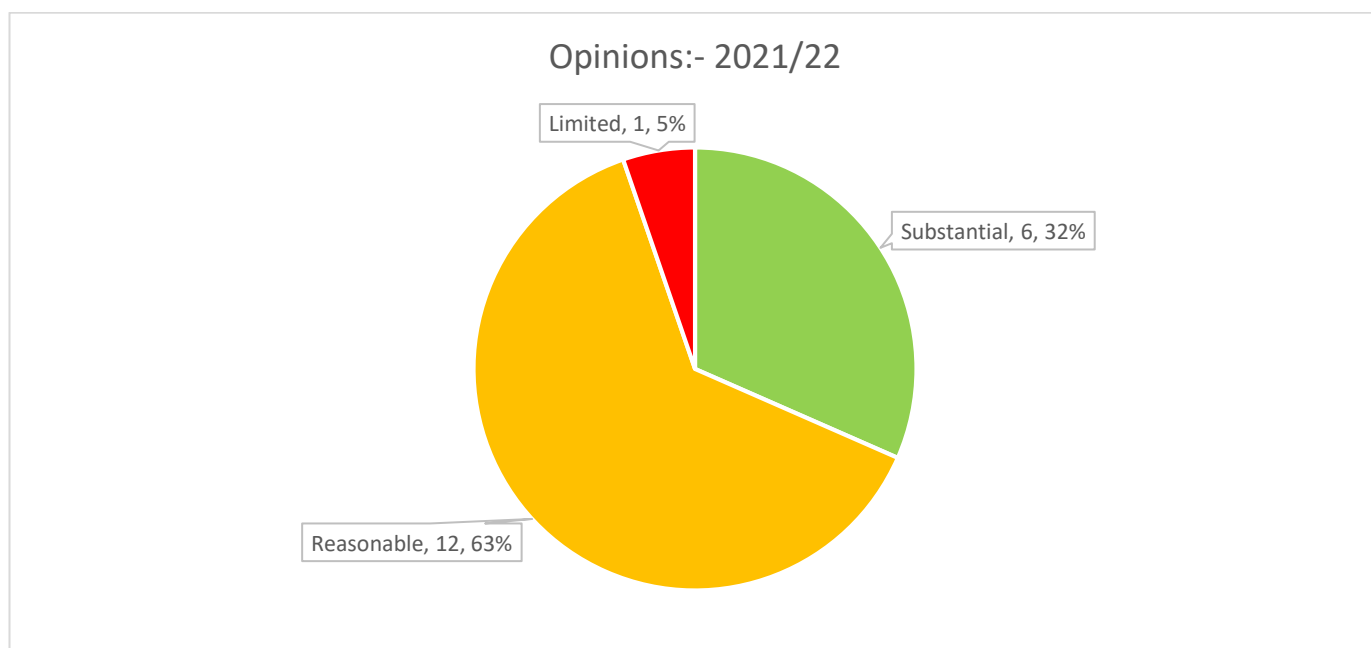
Internal Audit's work in Term 1 2021/22 – April 2021 to July 2021

3. Internal Audit continued to deliver its service through a flexible and agile approach, maintaining efforts to ensure the Team's coverage was complementary to the ongoing, cross-Council pandemic response. A range of work was completed across the Council, covering the following key types of Internal Audit input:
 - Assurance audits - for which an audit opinion is issued
 - Advice and consultancy – often relating to key developments, initiatives and changes to the internal control framework
 - Counter-fraud – primarily focussed on pro-active work to raise awareness of emerging fraud issues.

Audit assurance

4. The opinion-based assurance work is a key contributor to the Head of Internal Audit's year-end opinion on the adequacy of the Council's arrangements for governance, risk management and control. **Chart 1** shows the distribution of opinions issued during Term 1 2021/22.

Chart 1- Opinions for Term 1 2021/22



5. In terms of the work completed on the County Council's services and systems, **Chart 2** analyses the opinions issued in Term 1 2021/22 by service area and level of assurance.

Chart 2- Opinions for Term 1 2021/22

	LIMITED ASSURANCE	REASONABLE ASSURANCE	SUBSTANTIAL ASSURANCE
COUNCIL-WIDE		Assurance Mapping NCC Companies Governance Annual Governance Statement UK Community Renewal Fund	Post Payment Assurance PPE Controls
CHILDRENS PLACE		Through Care Placements Travel & Transport COVID Culture Payments	
ADULTS		Hospital Discharges	Safeguarding
CHIEF EXEC'S		EM Dev Co Ltd	
School Audits	1 Visit	3 Visits	3 Visits

6. The significant pieces of assurance work during Term 1 were the following:
- Assurance Mapping – capture and review of evidence that core processes of the Council are operating effectively. The outputs from this work were reported to Committee in June 2021.
 - NCC Companies Governance – assurance over the governance arrangements for companies in which the Council has an interest.

- Post Payments Assurance – assurance over the controls in operation for non-routine payments during the pandemic
 - PPE Controls – assurance on the operation of controls to procure and manage the distribution of PPE.
7. **Chart 1** includes schools audits undertaken by the Children's & Families' Finance Team. These visits were suspended when the pandemic hit but have now resumed.

Advisory input

8. Internal Audit continued to provide advisory input to developments in response to the Covid19 pandemic. The following summarises the key areas of activity:
- COVID Culture Payments – advice and review of additional payment requests received from external providers.
 - Council Elections – advice on controls for the operation of elections during COVID
 - Post 16 Colleges – advice on the review of expenditure and budget
 - UK Community Fund – advice on the development of controls for processing applications.
9. Internal Audit's advisory input ensures that timely advice is delivered and has the opportunity to influence subsequent actions. The engagements in advisory work help to maintain the influence the Section has to retain a proper focus on control issues and provides intelligence for subsequent planned assurance activity.

Counter-Fraud

10. Internal Audit pursued its pro-active programme, disseminating fraud awareness materials to alert departments and staff of fraud risks and scams that emerged during Term 1. The following summarises the key areas of activity:
- Annual Fraud Report – capture, review and completion of activities to generate the annual report.
 - National Fraud Initiative (NFI) – coordination and review of matches with departments.
 - National and Local Fraud Alerts – screening and distributing to relevant sections alerts publicised by national fraud agencies.
11. In addition, Internal Audit advised in fraud investigation activities involving live cases outlined in the Annual Fraud Report.

Internal Audit Performance

12. **Appendix 1** provides an update on the Section's performance in Term 1 against its key indicators. It includes the following charts to depict progress against the Term 1 Plan, expressed in terms of the following:
- Inputs – the number of audit days delivered against the Term 1 plan. Each segment in the chart represents ¼ of the Termly Plan.
 - Outputs – the number of jobs completed against the plan. Each segment in the chart represents ¼ of the Termly Plan.
 - Productivity indicator – the target score is 1.

13. A good level of performance has been achieved and members attention is drawn particularly to the following:

- Staffing resources – the team’s two Internal Audit Apprentices continue to progress well with their training, which is bringing a fresh and positive impetus for the Team. The time contingency required for the apprentices’ training and development is a limiting factor in the extent of audit coverage that may be planned for, and the challenge of conducting training remotely has added to this. Nonetheless, the benefits are significant, and the team continues to supplement its capacity through the standing placement opportunity it offers for one of the Council’s Graduate Trainees. The latest Graduate has undertaken excellent work, especially in relation Covid 19 reviews and Covid 19 payments to culture service providers. Internal Audit also took on a temporary recruit under the Change 100 Programme. This is a programme created by the Leonard Cheshire charity, with which the Council is actively engaged. It comprises paid work placements and mentoring for disabled students and recent graduates.
- Corporate risk management – the Corporate Leadership Team approved the re-allocation of responsibility for corporate risk management from the Emergency Planning Team in the Place Department to the Assurance Group in the Chief Executive’s Department. This transfer was due to take place sometime during 2020/21 but was accelerated due to the pressures of the pandemic on the Emergency Planning Team. In the event, the Internal Audit Team was best placed to take on the initial task of updating the risk register for the impacts of Covid-19, and responsibility for the corporate risk management function in the short-term. It is not sustainable for the Internal Audit team to continue with this responsibility, due to the impact it has on the audit coverage the team must deliver. Additional capacity for corporate risk management is presently being sourced through consultancy days available from Zurich Municipal through the current insurance contract. This can be retained through to the first quarter of 2022/23, allowing for a longer-term solution to the resourcing of corporate risk management to be determined.
- Implementation rates for actions arising from audits are off target, and this is highlighted in the separate report on today’s agenda concerning the follow-up of agreed recommendations.

Proposed Internal Audit Plan for Term 3 2021-2022

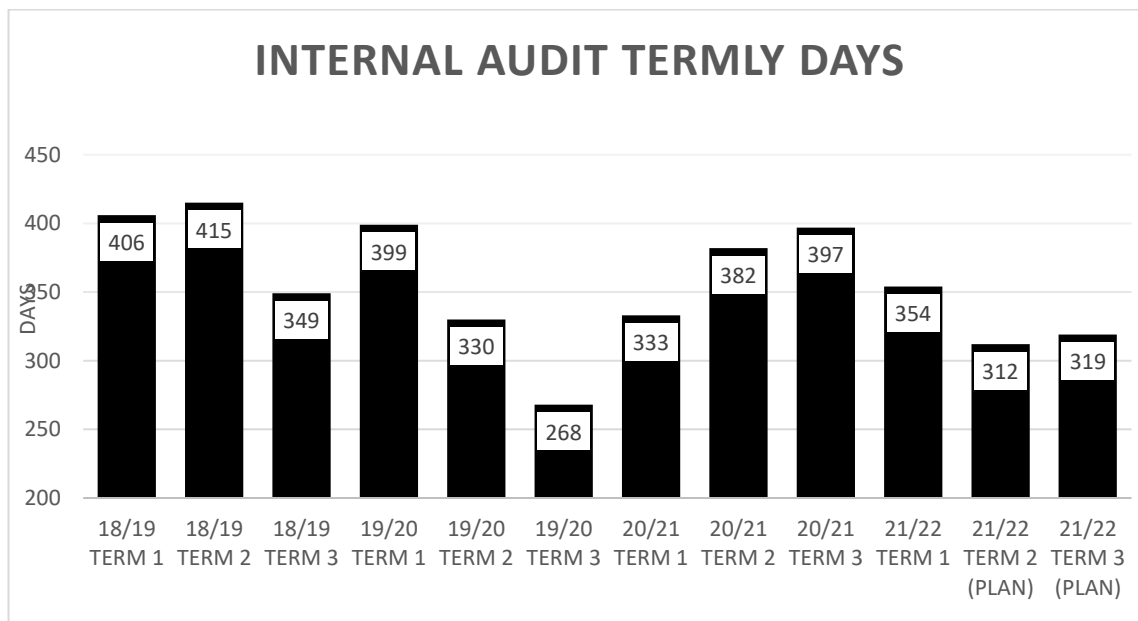
14. Internal Audit termly plans continue to be determined on a risk basis, as required by the Public Sector Internal Audit Standards, and using the new methodology identified in the Term 2 plan report.
15. Termly planning continues to be developed in an agile way allowing the precise scope and objectives for each audit assignment to be agreed at the time the audit is to commence. Detailed discussions prior to an audit commencing should identify other sources of assurance already available for the area in question, thereby clarifying the objectives on which Internal Audit’s focus should most impactfully be applied. At this planning stage, therefore, proposed topics for audit are expressed in terms of the broad rationale for their inclusion.
16. The Term 3 plan represents the Section’s assessment of the key areas that need to be audited in order to satisfy the Authority’s statutory responsibility to undertake an adequate and effective internal audit of its system of internal control. The Section’s aim is to complete

enough work to express an overall, annual opinion on the adequacy and effectiveness of the Authority's internal control arrangements.

17. **Appendix 1** sets out details of the draft coverage by Internal Audit for Term 3, and it is summarised in the following table.

Assurance from Audit Coverage	Days	Outputs
Second Line Assurance work	60	3
Opinion Assurance	158	10
Advice / Consultancy Assurance	80	1
Counter Fraud Assurance	21	4
Certification Assurance	0	0
Total	319	18
External Clients (Notts Fire & Rescue Service)	54	
Grand Total	373	

18. The chart below shows the trend in the number of actual days delivered in recent terms, excluding the external clients.



19. The next Internal Audit update to Committee will cover details of the outcome of Internal Audit's work in Term 2 (August – November 2021).

Other Options Considered

20. The Internal Audit Team is working to the Public Sector Internal Audit Standards during 2021/22. This report meets the requirement of the Standards to produce a risk-based plan and to report the outcomes of Internal Audit's work. No other option was considered.

Reason/s for Recommendation/s

21. To set out the report of the Group Manager – Assurance to propose the planned coverage of Internal Audit's work in Term 3 of 2021/22, providing Members with the opportunity to make suggestions for its content.

Statutory and Policy Implications

22. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Individual audits completed and in the proposed Termly Plan may potentially have a positive impact on many of the above considerations.

Financial Implications

The Local Government Act 1972 requires, in Section 151 that the Authority appoint an officer who is responsible for the proper administration of the Council's financial affairs. The Service Director for Finance, Infrastructure & Improvement is the designated Section 151 officer within Nottinghamshire County Council. Section 6 of the Accounts and Audit Regulations 2011 requires Local Authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The County Council has delegated the responsibility to maintain an internal audit function for the Authority to the Service Director for Finance, Infrastructure & Improvement and Section 151 Officer.

RECOMMENDATION/S

- 1) Arising from the content of this report, Members determine whether they wish to see any actions put in place or follow-up reports brought to a future meeting.
- 2) That the planned coverage of Internal Audit's work in Term 3 be progressed to help deliver assurance to the Committee in priority areas.

Nigel Stevenson

Service Director for Finance, Infrastructure & Improvement and Section 151 Officer

For any enquiries about this report please contact:

Rob Disney

Group Manager - Assurance

Constitutional Comments (EKH 21/10/2021)

23. This report is appropriate to be considered by Governance and Ethics Committee and they have the power to make any resolution resultant upon the recommendation.

Financial Comments (RWK 20/10/2021)

24. There are no specific financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All