

10 March 2022

Agenda Item: 6

REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT

INTERNAL AUDIT PROGRESS TERM 2 2021-22 AND TERM 1 PLAN 2022-23

Purpose of the Report

1. To inform Members of the work carried out by Internal Audit in Term 2 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 1 of 2022/23.

Information

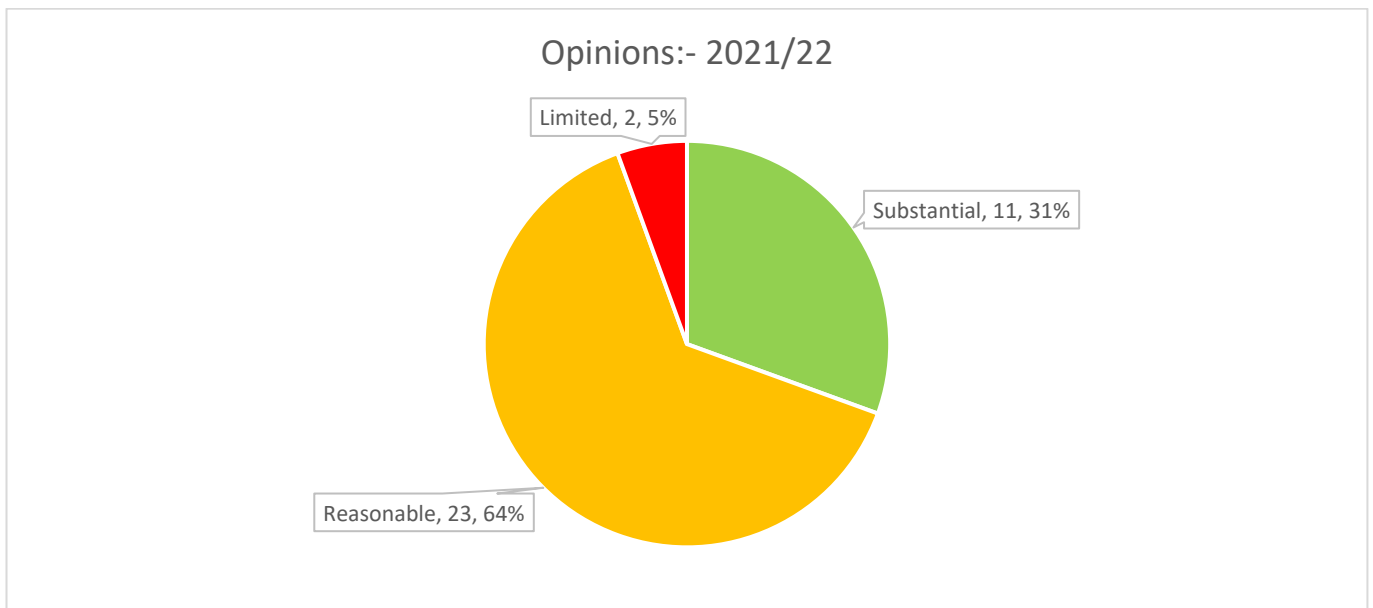
Internal Audit's work in Term 2 2021/22 – August 2021 to November 2021

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 cumulative distribution of opinions issued in 2021/22, to the end of Term 2.

Chart 1- Opinions to Term 2 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 2 2021/22 by service area and level of assurance.

Chart 2- Opinions for Term 2 2021/22

	LIMITED ASSURANCE	REASONABLE ASSURANCE	SUBSTANTIAL ASSURANCE
COUNCIL-WIDE		Action Tracking	Post EU Transition Covid Review – Phase 3
CHILDRENS PLACE	Sale of Land & Buildings		
ADULTS			
CHIEF EXEC’S		Councillor Divisional Fund	
School Audits	1 Visit	12 Visits	6 Visits

6. The significant pieces of assurance work during Term 2 were the following:

- Continuous Assurance – to provide a monthly report to the Council’s statutory officers on the application of internal control in key Council processes.
- Action Tracking – review of the implementation of agreed actions from internal audit recommendations.
- Councillor Divisional Fund – review of processes and internal controls in operation for administration of the fund.
- Sale of Land & Buildings – review of internal controls and compliance with such for the disposal of assets.

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:
- Children's Member Review – work with Member and Officer Groups to review expenditure within Children's Services.
 - Procurement Cards – advice on controls and monitoring arrangements for an increased volume of payments during the pandemic.
 - Household Support Grant – advice on internal controls and monitoring arrangements to disseminate the grant.
 - ICT Risk Assessment – external review of ICT risks to inform the future coverage of internal audit work.
 - Brooke Farm – advice on income monitoring and records retention.
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 2. The following summarises the key areas of activity:
- International Fraud Week – dissemination of fraud awareness material and document refresh to support the initiative.
 - 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.

Certification

12. Internal Audit also provides a certification function for a variety of grants received and distributed by the Council. During Term 2 the following grant claims were certified:
- Bus Operators Grant;
 - Green Home Grant; &
 - Platt Lane Accounts.

Internal Audit Performance

13. **Appendix 1** provides an update on the Section's performance in Term 2 against its key indicators. It includes the following charts to depict progress against the Term 2 Plan, expressed in terms of the following:

- Inputs – the number of audit days delivered against the Term 2 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.

14. 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 and will soon be facing a series of external examinations. This has brought a fresh and positive impetus for the Team. The time contingency required for the apprentices' training and development continues to be a limiting factor in the extent of audit coverage that may be planned for, but increases in productivity are being seen. The challenge of conducting internal and external training along with undertaking audits 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 taken up a placement with the Team and has progressed through induction and training and has started to undertake productive planned activities. Staffing productive days have exceeded plans during the Term but are expected to reduce in Term 3 as staff re-schedule annual leave etc.
- Assurance and Advisory activities – the completion of internal audit activity reflects the impact of the pandemic on services and the agile approach adopted. Term 2 demonstrates that the Team have been able to flex plans and provide advisory activities to support the immediate risks facing the Council. This has an impact on delivery of the planned assurance reviews, but these are kept under review for ongoing priority in subsequent plans, as identified in the Term 1 plan for 2022-23.
- Implementation rates for actions arising from audits are off target, as highlighted in the report to Committee in November 2021. The next update on this is scheduled for April 2022.

Proposed Internal Audit Plan for Term 1 2022-2023

15. Internal Audit termly plans continue to be determined on a risk basis, as required by the Public Sector Internal Audit Standards, and using the methodology previously reported to Members.

16. 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 risks 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.

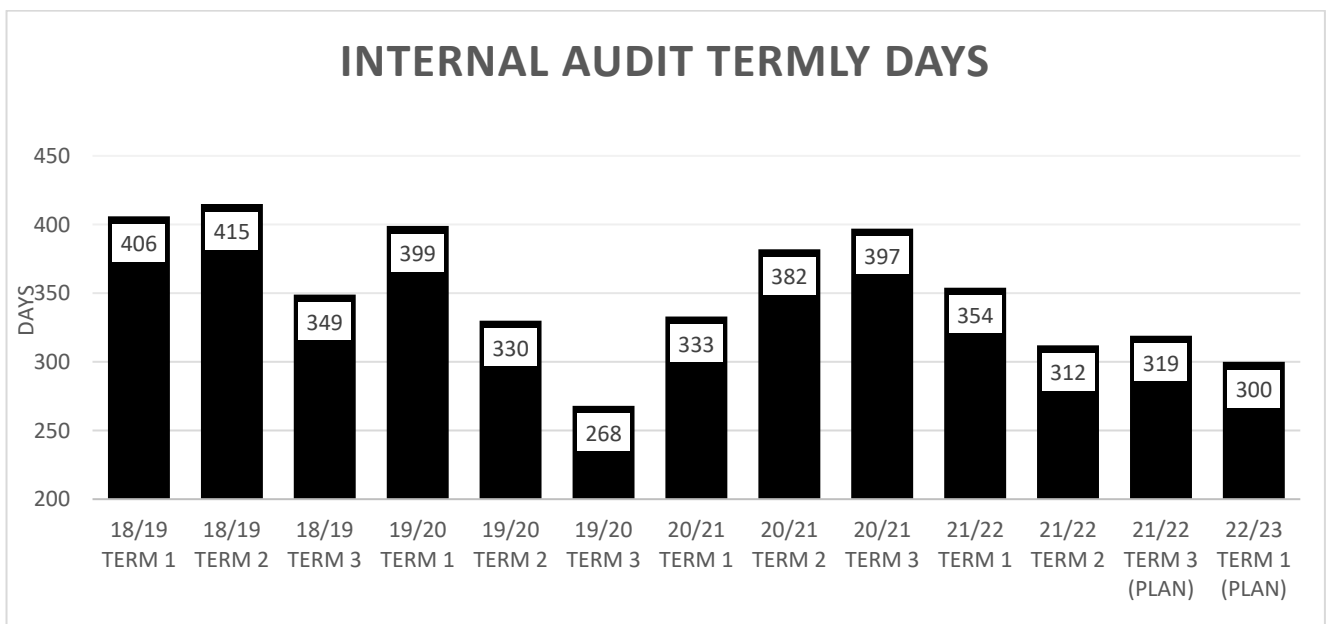
17. The Term 1 plan represents the Section's assessment of the key areas that need to be audited in order to satisfy the Authority's statutory responsibility to undertake an adequate and effective internal audit of its system of internal control. The Section's aim is to complete

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

18. **Appendix 2** sets out details of the draft coverage by Internal Audit for Term 1, and it is summarised in the following table.

Assurance from Audit Coverage	Days	Outputs
Second Line Assurance work	40	3
Opinion Assurance	156	8
Advice / Consultancy Assurance	70	2
Counter Fraud Assurance	14	4
Certification Assurance	20	2
Total	300	19
External Clients (Notts Fire & Rescue Service)	54	
Grand Total	354	

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



20. The next Internal Audit update to Committee will cover details of the outcome of Internal Audit’s work in Term 3 (December 2021 – March 2022), as part of the Head of Internal Audit’s Annual Report for 2021/22.

Other Options Considered

21. 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

22. To set out the report of the Group Manager – Assurance to propose the planned coverage of Internal Audit’s work in Term 1 of 2022/23, providing Members with the opportunity to make suggestions for its content.

Statutory and Policy Implications

23. 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

24. This report 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 1 of 2022/23 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 (GR – 07/02/2022)

25. Pursuant to the Nottinghamshire County Councils constitution, this committee has the delegated authority to receive this report and to make the recommendations contained within.

Financial Comments (RWK – 07/02/2022)

26. 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