

25 November 2020

Agenda Item: 6

**REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT**

INTERNAL AUDIT 2020-21 TERM 3 PLAN

Purpose of the Report

1. To consult with Members on the Internal Audit Plan for Term 3 of 2020/21. The report also updates on progress with the current Term 2 work, for which a fuller report on outcomes will be presented in March 2021.

Information

Internal Audit's work in Term 2 2020/21 to date

2. Term 2 audit activities are currently in progress, and the Plan continues to be impacted by the Covid19 pandemic as front-line services maintain a focus on response and recovery. As a result, Internal Audit continues to bring a flexible approach, providing advisory and consultancy input wherever required to help managers maintain an appropriate balance between speed of response and proportionate control. Alongside this, we have now recommenced assurance reviews within front-line services, and these are planned to continue in Term 3.
3. The Team's staffing resources benefitted significantly from the placement of one of the Council's Graduate Trainees in the Assurance Group. The graduate concerned produced excellent work for both Internal Audit and the Performance, Intelligence & Policy Team, and he has now secured a permanent position within the Council. We hope to secure a replacement graduate in the new year, as we are confident that this will again prove beneficial both for the Assurance Group and for a new trainee; the benefits of the placement were recognised by all parties.
4. Internal Audit has also taken 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. Our current recruit is with the Internal Audit Team until the end of December 2020 and is currently undertaking a planned internal audit from the Term 2 Plan, under the close supervision of an experienced member of the Team.

5. Members were introduced to our two Internal Audit Apprentices at the meeting in September 2020, and their training is progressing well. All of these developments are bringing a fresh and positive impetus for the Team, but we acknowledge that we continue to learn in terms of the time contingency required. The challenge of conducting training remotely adds to this, but it is being met.
6. Our collaboration with Assurance Lincolnshire stalled in some respects during the first wave of the pandemic, as our partners focussed necessarily on inputs to their own organisations. The respective Heads of Internal Audit maintained a helpful dialogue, linking in also to the regional and national groups. All parties are now ready to reinvigorate the collaboration, and this will progress in Term 3.
7. Whilst full details of the Term 2 work will be presented in March 2020, the following provides a summary of key areas of progress to date:

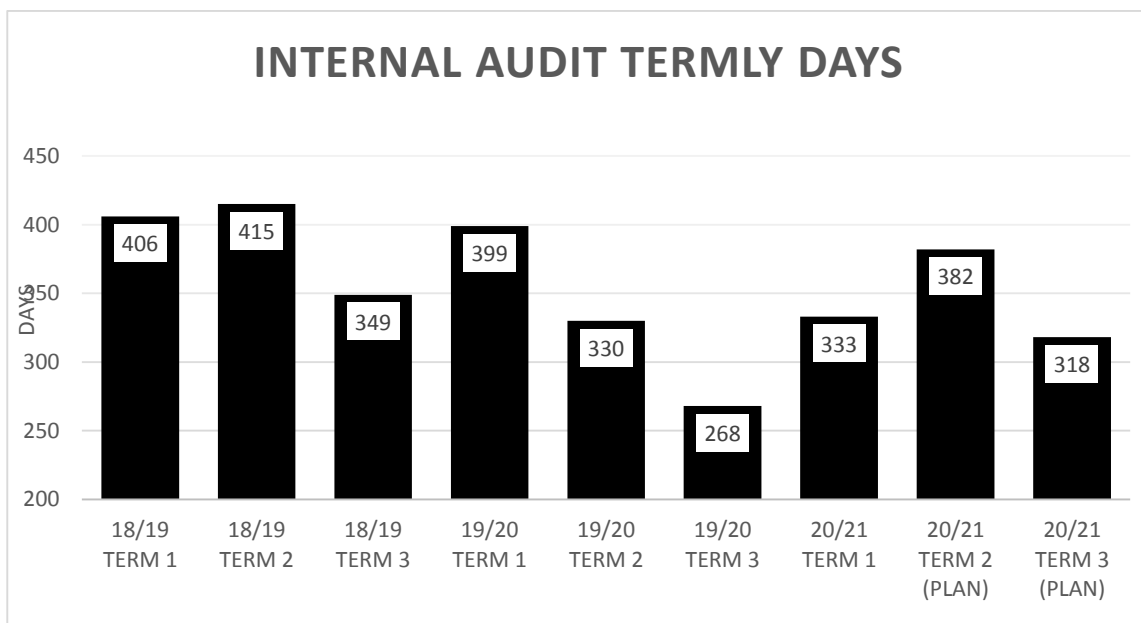
Assurance reviews	<p>Assurance mapping – annual report completed, with reasonable assurance across the five areas of governance in the map for 2019/20</p> <p>Action tracking – a mixed picture was presented, due to the impact of Covid-19 on teams’ capacity to make progress in some areas to schedules agreed pre-pandemic</p> <p>Financial resilience – ‘reasonable assurance’ opinion issued</p> <p>Continuous assurance – substantial progress made with establishing continuous feeds of assurance over core systems. More details on this will be brought to Committee in the new year, and will make a significant contribution to the Head of Internal Audit’s annual opinion for 2020/21</p>
Advisory	<p>Food and Essentials Fund – advice on the expected controls for the assessment of applications</p> <p>Business Support Centre Payment Process – advice on processes for reconciliation of feeder systems</p> <p>Disability Adaptions – advice on payment controls</p>
Counter-fraud	<p>International Fraud Awareness Week 15-21 November 2020 – dissemination of fraud awareness material via Team Talk and the intranet.</p> <p>National and local fraud alerts – screening and distributing to relevant sections</p> <p>National Fraud Initiative – compilation of data matches and submission of data for the 2020-21 national exercise</p>
Risk management	<p>Work continues to update the corporate risk register and develop a new risk management methodology</p>

Proposed Internal Audit Plan for Term 3 2020-2021

8. Internal Audit termly plans continue to be determined on a risk basis, as required by the Public Sector Internal Audit Standards. The consideration of risks involves consultation with senior managers and taking account of external sources of assurance, including the work of external inspectorates. The corporate risk register, assurance mapping process and continuous assurance exercise is also now providing an important flow of intelligence to inform Internal Audit's planning. These considerations have focused on emerging risks from the Covid19 pandemic and how the Internal Audit termly plans can be flexed to accommodate assurance, advisory and follow-up activities in Term 3.
 9. 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 accounting records and 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 systems.
 10. An Audit Risk Assessment is also used to identify priorities for audit coverage. Each area of activity in the Council is assessed in terms of the following factors:
 - Value and volume of transactions involved with the activity
 - The known level of internal control in place (from previous audits)
 - The exposure to fraud risk
 - The relative complexity of the activity
 - Whether the activity is stable or subject to change
 - How sensitive the activity is to the Council among its key stakeholders
 - The number of sites where the activity is carried out.
- Using an established system of scoring and weighting the the above factors, the Needs Assessment arrives at a high/medium/low risk-rating for each area of activity.
11. The Term 3 plan has also been compiled in recognition that front-line services continue to prioritise the delivery of response and recovery activities and may have limited capacity to accommodate assurance activities. Given the ongoing emergency, the work developed over the summer on assurance mapping and continuous assurance will prove key planks of intelligence for the Head of Internal Audit in being able to arrive at an overall, annual opinion for 2020/21.
 12. Members will recall a request at a previous meeting of the Committee to consider an audit of the Council's public consultation procedures. This has been risk-assessed as a 'medium' priority, using the approach outlined in paragraph 10. All but one of the jobs set out in Appendix 1 are assessed as 'high' priority, therefore it is not proposed to accommodate a review of public consultation procedures as part of the Term 3 plan. However, this will be re-considered for the 2021/22 Term 1 Plan as part the assessment of priorities for the period April – July 2021.
 13. **Appendix 1** sets out details of the proposed coverage by Internal Audit for Term 3, and it is summarised in the following table.

Department	Days	Number of Audits			
		High Priority	Med Priority	Other	Total
Council-wide	214	10	0	0	10
Children & Families	29	3	0	0	3
Adult Social Care & Health	25	2	0	0	2
Place	23	2	0	0	2
Chief Executive's	27	2	0	0	2
Total	318	19	0	0	19
External Clients (Notts Fire & Rescue Service)	48				
Grand Total	366				

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



Other Options Considered

15. The Internal Audit Team is working to the Public Sector Internal Audit Standards during 2020/21. 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

16. To set out the report of the Group Manager – Assurance to propose the planned coverage of Internal Audit's work in Term 3 of 2020/21, providing Members with the opportunity to make suggestions for its content.

Statutory and Policy Implications

17. 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:

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Constitutional Comments (KK – 03/11/2020)

18. The proposals in this report are within the remit of the Governance and Ethics Committee.

Financial Comments (RWK – 05/11/2020)

19. There are no specific financial implications arising directly from the 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