

North Tyneside Council Report to Audit Committee Date: 30 March 2016

ITEM 11

Title: Strategic Audit Plan
2016/17

Report from Service Area: **Commissioning and Investment**

Report Author: **Allison Mitchell, Chief Internal Auditor** (Tel: 643 5720)

Wards affected: **All**

PART 1

1.1 Purpose:

The purpose of this report is to advise the Audit Committee of the Strategic Audit Plan for 2016/17. This document outlines the planned work of Internal Audit during this period and is attached as **Appendix A**.

1.2 Recommendation(s):

It is recommended that the Audit Committee reviews and assesses the Strategic Audit Plan 2016/17, attached as **Appendix A**, and the proposed Internal Audit coverage set out therein.

1.3 Council plan and policy framework

The work of Internal Audit and the Audit Committee covers all service responsibilities as identified within the Council Plan.

1.4 Information

- 1.4.1 The Strategic Audit Plan for the period 2016/17 is attached to this report as **Appendix A**. The Strategic Audit Plan helps to ensure that Internal Audit is able to provide an independent and objective opinion to the organisation on the framework of governance, risk management and control, and sets out Internal Audit's objectives in the medium term.
- 1.4.2 The Council's Financial Regulations recognise that Internal Audit must be independent in its planning and operation, that Internal Audit shall have an unrestricted range of coverage of the Council's operations, and that the Chief Internal Auditor will have freedom to determine the priorities of Internal Audit in consultation with the Chief Finance Officer and chief officers.
- 1.4.3 For the 2016/17 Strategic Audit Plan, Internal Audit has performed an initial assurance mapping exercise, mapping the Authority's key risk registers to details of assurance sources across three levels. These three levels are often referred to as a 'three lines of

defence' approach, which include management, corporate oversight and independent assurance.

- 1.4.4 The Strategic Audit Plan has been prepared in consultation with: the Chief Executive; Deputy Chief Executive; Head of Finance (Chief Finance Officer); all Heads of Service and Cabinet Member for Finance and Resources, before presentation to the Audit Committee as a final document for review.
- 1.4.5 The Strategic Audit Plan for the period 2016/17 details those areas planned to be subject to audit coverage during this period, and has been prepared in accordance with Public Sector Internal Audit Standards (PSIAS). The Plan outlines:
- (a) the approach taken to risk assessment and audit planning;
 - (b) the respective roles of management and of Internal Audit with regard to internal control;
 - (c) the relationship between Internal and External Audit, and the approach which Internal Audit is planning to adopt in respect of key financial systems audit;
 - (d) quality standards with which Internal Audit will comply when delivering the Strategic Audit Plan;
 - (e) the resourcing of the Internal Audit team; and
 - (f) key themes in the Strategic Audit Plan.
- 1.4.6 In 2012, North Tyneside Council entered into a shared service arrangement, jointly with Northumberland County Council, for the provision of Internal Audit and Risk Management services. North Tyneside is the host authority, leading the delivery of assurance services across both Councils. The shared arrangements are proving favourable as each Council is benefitting from having a wider portfolio of specialist skills to draw upon. Separate audit plans have been established for both North Tyneside Council and Northumberland County Council, but have been completed in conjunction with each other. This has allowed the available resources and specialist skill sets to be deployed across both Councils in the most advantageous way according to the specific risks and requirements of each Council. Each Council still retains a statutory responsibility to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes" and the Strategic Audit Plan for North Tyneside Council attached as **Appendix A** has been prepared in accordance with this requirement.
- 1.4.7 The Strategic Audit Plan 2016/17 sets out in detail the planned assurance coverage for the coming year. The Plan is kept under review throughout the year, and a half year progress update is scheduled to be reported to the Audit Committee in November 2016. A full outturn on the 2016/17 Annual Audit Plan will be reported to the Audit Committee in May 2017. Regular quarterly monitoring and adjustment of the Plan is performed as a matter of course within the Internal Audit team, in accordance with relevant professional standards.

1.5 Decision Options:

It is recommended that the Audit Committee reviews and assesses the annual Strategic Audit Plan, attached as **Appendix A**, and the Internal Audit coverage set out therein.

There are no other options available in relation to this report.

1.6 Reasons for recommended option:

This recommendation will allow the Council to operate in line with legislation, good practice and professional guidance.

1.7 Appendices:

Appendix A: Internal Audit Service – Strategic Audit Plan 2016/17

1.8 Contact officers:

Kevin McDonald (Group Assurance Manager) Tel 643 5738
Marc Oldham (Senior Auditor) Tel 643 5711

1.9 Background information:

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author.

- (a) Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, December 2012 (P)
- (b) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2013 (P)
- (c) [Financial Regulations C24 - C35, version 5a, September 2013 \(P\)](#)
- (d) Shared Internal Audit and Risk Management Service Strategic Statement 2016/17 (P)
- (e) [Strategic Audit Plan 2015/16, March 2015 \(P\)](#)
- (f) Corporate, Service Strategic, Service Operational, Projects and Strategic Partnerships Risk Registers (C)
- (g) [The Accounts and Audit Regulations 2015, April 2015 \(P\)](#)
- (h) [The 'Our North Tyneside' Council Plan 2014/18, September 2013 \(P\)](#)
- (i) ['Creating a Brighter Future Programme', April 2014 \(P\)](#)
- (j) Target Operating Model, 2015 (C)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The Internal Audit service supports the Chief Finance Officer in discharging the requirements of section 151 Local Government Act 1972, which requires that local authorities 'make arrangements for the proper administration of their financial affairs'. Internal Audit examines the Authority's systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed.

There are no financial implications arising from the recommendations set out in this report.

2.2 Legal

The Accounts and Audit Regulations 2015 require the Authority to 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. Public Sector Internal Audit Standards, and accompanying Local Government

Application Note, require Internal Audit's work to be properly planned, resourced, monitored and based upon thorough documented assessment of the risks facing the organisation.

2.3 Consultation/community engagement

The Strategic Audit Plan 2016/17 was prepared following consultation with: the Chief Executive; Deputy Chief Executive; Head of Finance (Chief Finance Officer); all Heads of Service and Cabinet Member for Finance and Resources.

2.4 Human rights

There are no human rights issues arising from this report.

2.5 Equalities and diversity

There are no equality and diversity issues arising from this report.

2.6 Risk management

The risks associated with this report have been considered and discussed with the Senior Risk Advisor and will be managed in accordance with the North Tyneside Council risk process. Risk management is an inherent strand of the auditing and assurance process, which assesses the management of risk within each audited area.

2.7 Crime and disorder

There are no specific crime and disorder issues arising from this report. The work of Internal Audit is a key strand in the Authority's counter-fraud arrangements, as set out in the Strategic Audit Plan.

2.8 Environment and sustainability

There are no environment and sustainability issues arising from this report.

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 Kevin McDonald
 Marc Oldham