Internal Audit Service

Strategic Audit Plan 2015/16: Final Monitoring Statement

May 2016

North Tyneside Council

1   Introduction

1.1   The Strategic Audit Plan for 2015/16 was presented to the Audit Committee at its meeting in March 2015. The Strategic Audit Plan helps to ensure that Internal Audit is able to meet its aims as an independent assurance function for the Authority, and sets out Internal Audit's objectives in the medium term.

1.2   The Strategic Audit Plan sets out the key objectives for the audit reviews identified to take place during 2015/16. The plan outlined the assignments to be carried out and the broad resources and skills required to cover the plan.

1.3   This document provides a final statement to Audit Committee on progress, as at the end of April 2016, against the Annual Audit Plan for 2015/16.

2   Approach to Monitoring the Annual Audit Plan

2.1   To properly plan and organise the workload of the Internal Audit Service, all audits from the agreed Annual Audit Plan are allocated to a suitably qualified member of the Internal Audit team.

2.2   Time spent in respect of each audit activity is recorded on an electronic time management system. This system allows outturn information to be extracted and the Annual Audit Plan to be monitored.

2.3   The annual planning process has been developed to include a formal review of the plan every three months to allow the assessment and subsequent incorporation of any emerging risks facing the Authority. The initial audit plan is prepared as a detailed audit plan for three months, with other areas deemed appropriate for coverage in year listed for the remaining nine months. The plan is reviewed on an ongoing basis during the year, and restated on a quarterly basis (in consultation with our clients) as required.

3   Final Report: Annual Audit Plan 2015/16

3.1   During 2015/16, the Internal Audit team achieved 96.13% of the expected productive audit days which were planned. This reflects additional development time required within the team to implement new ways of working (including the implementation of the Electronic Document and Records Management System (EDRMS), and Google, and systems development for the shared Internal Audit team). Some of our resource has been diverted to emerging risk areas identified within the organisation's control environment, in accordance with normal auditing practice. This is explained below.

3.2   During the year, 50 audit assignments were originally programmed. By April 2016, 31 (62%) of audits were either complete or underway. These areas have been risk assessed as part of Internal Audit's continuing rolling programme and included in the audit plan during 2016/17 at a time considered to deliver optimum value to the Authority. The audits that have not yet commenced have been reprogrammed due to:

- time being required on contingencies and ad hoc management requests, at one or other of our partner organisations;
- requests for support from Northumbria Police;
- responding to the Authority's statutory requirements in relation to the National Fraud Initiative;
- the complexity of some of the areas under examination, which has taken additional time to audit; and
- additional time spent in a project assurance role. Although time spent on this area of our work reduces the number of audit days available for planned assignments, assurance is obtained that effective controls are incorporated into new major systems from the outset, thus minimising the risk of weaknesses in systems and strengthening the control environment.

3.3   The key objectives and outturn (as at the end of April 2016) for the audit reviews identified to take place during 2015/16 are shown in section 4 of this document. Each of the auditable areas has been categorised as complete or in progress, with a number reprogrammed into 2016/17. For those areas where Internal Audit has an advisory and assurance role, this is identified in the table and the status explained.

3.4   In addition to performing audits, Internal Audit has a significant advisory role within the Authority. A contingency of time is set aside in the Plan to fulfil this role, which is subject to variation according to demand. During 2015/16, Internal Audit has been involved with:

- pro active anti-fraud work (including development of a 'counter fraud blueprint' for the Authority, and preparation of a major anti-fraud initiative related to Council Tax discounts);
- project assurance and attendance at Boards and Working Groups (including Banking Services Contract, Electronic Document and Records Management System (EDRMS), Information Security Group, ICT

Performance and Prioritisation Board, Public Services Network, Petty Cash Process Review, Cashless Projects, Technology and Information Systems Strategy Board and Troubled Families Stakeholder Group);

- the follow up on implementation of audit recommendations;
- responding to general queries and requests for advice (66 such instances, requiring half a day of audit time or longer were received during the year); and
- responding to emerging risk issues, and potentially fraudulent matters, arising in year, including:
  - several potential inappropriate access / abuse of Council resources investigations;
  - theft of cash income / cash discrepancies;
  - requests for support from Northumbria Police; and
  - investigation of potential matches identified through the National Fraud Initiative.

3.5 In addition, work has continued to develop our shared Internal Audit and Risk Management service with Northumberland County Council which commenced in 2012. The impact on internal audit resources and coverage during the implementation and embedding phases will continue to be carefully monitored.

3.6 The main themes and findings from Internal Audit's work undertaken during 2015/16 are summarised in the Internal Audit Service 2015/16 Opinion on the Framework of Governance, Risk Management and Control, presented to Audit Committee in May of each year.

3.7 Audit work planned for 2016/17 (set out in the Strategic Audit Plan presented to the Audit Committee in March 2016) is now underway. An update on progress will be presented to Audit Committee in November 2016 in accordance with normal reporting practices.

IA/AHM/KM/SC
May 2016

4   Annual Audit Plan 2015/16 - Outturn

Audit and Assurance – New Service Delivery Arrangements

Heading	Auditable Area	Description / Audit Objectives	Outturn
New Service Delivery Arrangements	• **Partnership working and impact on the Authority's framework of governance and control**	To review whether the Authority's major partnership arrangements (for example, with Engie, Capita, Kier and Health partners) are working effectively and supporting achievement of North Tyneside Council's stated aims. This audit will include an evaluation of: • Clarity regarding roles and responsibilities for service delivery between client and provider; • How performance is monitored and how it is managed, including financial performance; • How benefit realisation is working in practice and whether the Authority's desired outcomes are being achieved; • How the interfaces between different providers are operating and whether seamless service delivery is in place, regardless of provider.	Reprogrammed to 2016/17. Audit coverage in respect of these strategic partnerships has been delivered via a number of separate assignments elsewhere on the audit plan. This overarching governance review will now be performed in 2016/17.
	• **Strategic Partnerships – Business Services,** • **Strategic Partnerships – Technical Services and** • **Strategic Partnerships – Joint Venture company**	To examine and evaluate the application of agreed governance practices established in respect of the Authority's strategic partnerships, to ensure that these are sound, operating as intended, and providing the Authority with sufficient assurance that partnership objectives are being delivered and that the Authority's interests are safeguarded. This audit will build on existing assurance arrangements already established within the Authority for the strategic and day to day management of these contracts.	Underway – estimated completion Quarter 1 2016/17

Audit and Assurance – New Service Delivery Arrangements

Heading	Auditable Area	Description / Audit Objectives	Outturn
New Service Delivery Arrangements	• **Delivering Collaboratively**	To examine and evaluate the application of agreed governance practices established in respect of services delivered through alternative financing and management mechanisms (including a selection of Private Finance Initiative schemes, and operating agreements with partners).	Underway – estimated completion Quarter 2 2016/17

Audit and Assurance – Corporate & Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Outturn
Corporate & Cross Cutting	• **Ethical Governance** / **Corporate Social Responsibility**	To review and evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities, as required by the Public Sector Internal Audit Standards.	Underway – estimated completion Quarter 2 2016/17
	• **Procurement**	To assess the effectiveness of the implementation of Cabinet's decision regarding 30-day payment terms to be applied throughout the supply chain of North Tyneside Council; to assess procedures established to ensure consistency in the application of the Authority's contracting rules; and to assess value for money in the procurement processes in place.	Reprogrammed to 2016/17
	• **Performance Management**	To assess the arrangements for corporate performance management, and to evaluate the extent to which these arrangements are driving improvement within the Council, for the ultimate benefit of residents and local businesses.	Underway – estimated completion Quarter 2 2016/17

Audit and Assurance – Corporate & Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Outturn
Corporate & Cross Cutting	• **Information Governance**	Further to assurance work undertaken within 2013/14, to review action taken by the organisation to manage and govern its data. To provide assurance on whether the controls and procedures in place ensure compliance with all relevant legislation and guidance, and are operating effectively.	Reprogrammed to 2016/17. Internal Audit has continued to provide project assurance support to all relevant Boards within the Authority, including ICT Performance and Prioritisation Board, Technology and Information Systems Strategy Board and Information Security Group.
	• **Electronic Document and Records Management System**	To provide assurance to the organisation as part of plans to introduce an Electronic Document and Records Management System (EDRMS).	Complete
	• **Investment Programme – Project Management & Monitoring**	To assess how the organisation is project managing capital schemes, ensuring that these are delivered within agreed tolerances on timescale and budget, and the operation of the Investment Programme Board and Gateway process.	Underway – estimated completion Quarter 2 2016/17

Audit and Assurance – Corporate & Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Outturn
Corporate & Cross Cutting	• **Better Care Fund / Health integration**	To support the Authority in complying with the requirements of the Better Care Fund, including the monitoring of submitted plans and in discharging any accountable body responsibilities, and in planning for requirements which need to be in place from 2015/16 onwards e.g. Section 75 pooled budget arrangements. To assess whether appropriate governance is in place.	Underway – estimated completion Quarter 1 2016/17
	• **Treasury Management**	To assess the effectiveness of the organisation's treasury management arrangements; to provide an opinion on whether these arrangements are soundly based, whether treasury management policies and practices are up to date and fit for purpose, whether there is suitable access to expert advice, and whether arrangements are likely to strike the right balance between risk and reward.	Reprogrammed to 2016/17. An external specialist review has been commissioned by the Head of Finance, hence the timing of this audit would not have been optimum.
	• **Value for Money**	To support the organisation by delivery of a number of sharp, focussed value for money studies.	Separate value for money reviews have been reprogrammed to 2016/17. Value for money has continued to be assessed within the context of individual audits undertaken in year.
	• **Grant claim / funding certification**	To undertake grant claim certification in respect of external funding regimes on behalf of the Authority, to ensure that grant funding requirements have been met and grant claims are submitted in accordance with grant conditions, to maximise available grant income.	Complete

Audit and Assurance – Service Area Specific

Heading	Auditable Area	Description / Audit Objectives	Outturn
Children, Young People and Learning	• **Safeguarding**	To review and evaluate the systems and processes in operation for safeguarding, to ascertain whether consistent standards are in place and sufficient internal control exists within these systems to discharge the Council's safeguarding responsibilities with specific reference to the Authority's role in assisting the prevention of Child Sexual Exploitation.	Underway – estimated completion Quarter 1 2016/17
	• **Primary & First Schools, Middle Schools and Secondary Schools**	To assess, on a thematic basis, the application of controls associated with the discharge of responsibilities relating to delegated school budgets, within a sample of schools. The areas to be prioritised for thematic review will be identified on a risk assessed basis, in conjunction with the Deputy Chief Executive, Chief Finance Officer and Head of Children, Young People and Learning.	Reprogramed to 2016/17. We have reconsidered our approach to the audit of schools, in light of the Government White Paper 'Educational Excellence Everywhere'.
	• **Right to Buy**	To assess arrangements in place to manage the Council's obligations under the Right to Buy scheme, in light of legislative changes governing the operation of this scheme. In particular, to review: a) how properties are valued, and if the Council's interest are appropriately safeguarded; and b) the effectiveness of the financial modelling and forecasting performed by the Council, to assess the impact of the changes to the scheme on ongoing housing provision and on financial plans.	Underway – estimated completion Quarter 1 2016/17

Audit and Assurance – ICT

Heading	Auditable Area	Description / Audit Objectives	Outturn
ICT	• **BACS (Bankers' Automated Clearing Services) System Review**	To determine whether the systems and procedures in operation are functioning satisfactorily and are in accordance with legislation and council policy. In particular, to determine whether: • The system complies with good practice and all legal, statutory and regulatory body requirements, and meets business need; • All transactions are completely and accurately recorded and traceable; • Access to information and facilities is controlled and restricted to authorised users according to their needs; • The potential for fraud and error are minimised; • The system is effectively administered and supported; • All staff using the system have been correctly trained to the level that will allow them to properly fulfil their duties; • The system is continually available during working hours; • The system provides complete and accurate management information; and • Upgrades to the system are properly resourced and managed to meet clearly stated and agreed business objectives.	Underway – estimated completion Quarter 1 2016/17
	• **ICT Business Continuity and Disaster Recovery**	To determine whether the controls and procedures in place to protect the Authority's computer assets and the systems in place for the storage and retrieval of data are adequate and operating effectively. To further determine whether, in the event of a disaster or significant event causing major disruption to the Authority's data processing capabilities, business continuity management/disaster recovery plans are in place, which will minimise any disruption to the computer processing of business critical systems.	Underway – estimated completion Quarter 1 2016/17
	• **Citrix Platform**	To determine whether the upgrade of the Citrix platform effectively supports the Authority in achieving its business aims.	Reprogrammed to 2016/17, as reported in November 2015

Audit and Assurance – ICT

Heading	Auditable Area	Description / Audit Objectives	Outturn
ICT	• **Hardware and Software Management**	To determine whether the controls and procedures in operation over the acquisition, management, reconciliation and disposal of the Authority's computer hardware and software assets are appropriate and operating effectively.	Reprogrammed to 2016/17, as reported in November 2015
	• **Perimeter Security**	To determine whether the Authority's systems of control provide adequate protection against the risks associated with virus/hacking attacks, are in accordance with legislation and the stated priorities within the Council Plan.	Reprogrammed to 2016/17, as reported in November 2015
	• **Network Management**	To determine whether ICT has: • Established organisational and operational policies and standards that address the selection, acquisition and installation of networks and related peripherals; • Established controls and procedures that will ensure network hardware and software contribute to the effective operation of the networks; • Incorporated adequate controls and procedures to ensure the resilience of the network; and • Developed and tested appropriate contingency arrangements, to ensure the continuous availability of network functionality.	Reprogrammed to 2016/17
	• **Access Approval (e-forms)**	To determine whether the controls and procedures in place to authorise access to information held electronically provide the Authority with assurance that access to information is correctly segregated between the Authority and its business partners.	Reprogrammed to 2016/17, as reported in November 2015

Audit and Assurance – ICT

Heading	Auditable Area	Description / Audit Objectives	Outturn
ICT	• **ICT Strategy**	To ascertain whether the controls and procedures in operation within ICT for the procurement of supplies and services including hardware, software and consultancy are functioning satisfactorily and are in accordance with legislation and Council policy. In particular, to determine whether: • Expenditure effectively supports the achievement of objectives contained within the ICT Strategy; and • Expenditure has been committed in accordance with the Authority's Contract Standing Orders.	Reprogrammed to 2016/17
	• **ICT Service Desk (ITSM)**	To determine whether the systems and procedures in operation for the IT Service Management (ITSM) system are functioning satisfactorily and are in accordance with legislation and the stated priorities within the Council Plan.	Underway – estimated completion Quarter 1 2016/17
	• **Agile Working / Remote Access**	To determine whether the controls and procedures in place effectively support agile working, provide secure methods of remote access to the corporate network.	Reprogrammed to 2016/17, as reported in November 2015
	• **New Systems (Project Assurance role)**	Internal Audit will continue to provide a project assurance role during the development and implementation of new computerised systems.	Complete – continues into 2016/17. Work to support new systems includes Sundry Debtors system, Social Care Case Management system, Robotic Process Automation and Cashless systems.

Counter Fraud and Internal Control & Probity

Heading	Auditable Area	Description / Audit Objectives	Outturn
Counter Fraud	• **Pro-active anti-fraud work**	To undertake pro-active anti-fraud and corruption work (including participation in the Audit Commission's National Fraud Initiative and performing internal data matching exercises); and to raise the awareness of counter fraud and corruption measures across the organisation.	Complete – continues into 2016/17
Internal Control & Probity	• **Payroll**	To evaluate the controls within the payroll system designed to prevent and / or detect irregularity or error, and to ensure that payments are made in accordance with council policy and legislation. Particular emphasis will be placed upon areas of greater risk, such as: • New starters, • Basic pay and variations to pay, and • Leavers.	To be covered in 2016/17 as part of a move to a new 'continuous auditing' approach.
	• **Pre-Employment Checks**	To determine whether sufficient checks are undertaken for individuals prior to the commencement of employment, in accordance with Council policy and legislation. In particular, to determine whether: • Disclosure Barring Service (DBS) status checks or equivalent have been completed prior to the commencement of employment, and • The right to work in the United Kingdom has been correctly established, and the correct documentation retained by the Authority prior to the commencement of employment.	Underway – estimated completion Quarter 1 2016/17
	• **Creditors and Procurement**	To determine whether there are adequate controls within the Authority's creditor payment systems to prevent and/or detect irregularity or error and that payments are made in accordance with Financial Regulations and legislation. Particular emphasis will be placed on evaluating the controls over: • Ordering, including placing orders only where there is suitable budgetary provision, and only from contracted suppliers; • Receipt of goods and services; and • Payments (including BACS, CHAPS and purchase cards).	To be covered in 2016/17 as part of a move to a new 'continuous auditing' approach.

Counter Fraud and Internal Control & Probity

Heading	Auditable Area	Description / Audit Objectives	Outturn
Internal Control & Probity	• **Debt & Non Cash Income Management**	To determine whether there are adequate controls within the system to ensure that all credit income due is invoiced for in accordance with legislation and Council policy. Particular emphasis will be placed upon amendments to accounts, write offs and the time taken to raise invoices.	To be covered in 2016/17 as part of a move to a new 'continuous auditing' approach.
	• **Non Credit Income**	To determine whether there are adequate controls within the income collection procedures to prevent and/or detect irregularity or error and that transactions are processed in accordance with Financial Regulations.	To be covered in 2016/17 as part of a move to a new 'continuous auditing' approach.
	• **Benefits (Local Council Tax Support Scheme; Housing Benefits)**	To determine whether the procedures in operation for the administration of the local council tax support scheme are operating satisfactorily in accordance with the arrangements agreed by Council.

To determine whether the procedures in place for the administration and determination of housing benefits are operating satisfactorily, whilst still within the Authority's responsibility; and whether arrangements in place to manage the migration of such benefits under Universal Credit arrangements bear sufficient control. | To be covered in 2016/17 as part of a move to a new 'continuous auditing' approach. |
| | • **Council Tax** | To determine whether the procedures in operation for administration of the council tax system are operating satisfactorily in accordance with legislation. Particular emphasis will be placed upon assessing compliance with the controls over billing, council tax banding amendments and recovery/write off.

An assessment will be performed to enable compliance with the specific requirements of the Local Government Finance Act 1992 in setting of the annual budget and local council tax levels. | Underway – estimated completion Quarter 1 2016/17 |

Counter Fraud and Internal Control & Probity

Heading	Auditable Area	Description / Audit Objectives	Outturn
Internal Control & Probity	• **National Non Domestic Rates (NNDR)**	To determine whether the procedures in operation for administration of NNDR are operating satisfactorily in accordance with legislation, with particular reference to recent changes relating to Business Rates Retention Scheme. Particular emphasis will be placed upon assessing compliance with the controls over billing, rateable value amendments and recovery.	To be covered in 2016/17 as part of a move to a new 'continuous auditing' approach.
	• **Rent Assessment and Collection**	To determine whether housing rent charges are accurately updated to reflect annual changes in rent levels in accordance with the government formula.	Underway – estimated completion Quarter 1 2016/17

Advice & Programme Assurance Function

Heading	Auditable Area	Description / Audit Objectives	Outturn
Programme Assurance	• **Change Programme** • **New Systems/ Methods of Service Delivery**	Internal Audit will provide assistance and advice to the Authority in respect of the new change programme, both in respect of overall governance arrangements and design principles, and in respect of specific projects and business models. In addition to any work on the change programme, Internal Audit will also provide assistance and assurance to the Authority on the implementation of a range of programmes. Programmes (projects) identified as likely to benefit from Internal Audit programme assurance include: • Major Regeneration Projects (e.g. Swans site and Seafront Regeneration) • Education Review • Commercial/Trading Opportunities	Complete – continues into 2016/17

Advice & Programme Assurance Function

Heading	Auditable Area	Description / Audit Objectives	Outturn
Advice, Contingencies & Assurance	• **Advice & Guidance** • **Contingencies & Work Requests** • **Fraud & Special Investigations** • **Quality & Development** • **Project Assurance**	Responding to ad-hoc queries and requests for advice; responding to requests for one-off audit assignments, where it is considered that audit involvement is necessary; responding to allegations of fraud *(see also proactive anti-fraud work in counter fraud & internal control and probity section below)*; project assurance and assuring appropriate consideration has been given to internal control & governance issues when new systems are introduced.	Complete – continues into 2016/17
Implementation & Evidence Checking	• **Follow up on Recommendations**	Monitoring the implementation of Internal Audit recommendations, in consultation with the Service Areas which have received these recommendations.	Complete – continues into 2016/17
	• **Annual Report**	An annual report will be drafted and presented to the Chief Finance Officer (Section 151 Officer), Senior Leadership Team and Audit Committee, outlining the audit work performed during the year and summarising key themes. This will be timed to support production of the Authority's Annual Governance Statement.	Complete – Report to Audit Committee May 2016

Heading	Auditable Area	Description / Audit Objectives	Outturn
Children, Young People and Learning	• **Schools Financial Value Standard (SFVS)**	The SFVS replaces the Financial Management Standard in Schools (FMSiS) and has been designed in conjunction with schools to assist them in managing their finances and to give assurance that they have secure financial management in place. Governing bodies have formal responsibility for the financial management of their schools, and so the standard is primarily aimed at governors; however the Authority's Chief Finance Officer is responsible for ensuring that submissions made by schools are in line with the judgements on these schools which have already been reached by Internal Audit as a result of ongoing assurance work. On behalf of the Chief Finance Officer (Section 151 Officer), Internal Audit will co-ordinate, receive, review and constructively challenge Schools Financial Value Standard submissions, for all of the Council's grant-maintained schools.	Complete
Tyne Port Health Authority	• **Tyne Port Health Authority**	On behalf of North Tyneside Council, as the Accountable Body for the administration of Tyne Port Health Authority, to undertake the internal audit requirements associated with the annual Small Bodies Return for this entity. This will involve acting independently and on the basis of an assessment of risk, performing a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2015. To determine an appropriate level of internal audit coverage in accordance with the body's needs, and on the basis of findings in the areas examined to summarise conclusions and report these in an appropriate form to the body.	Complete

External Assurance & Assessment Function

Heading	Auditable Area	Description / Audit Objectives	Outturn
Added Value – control environments and governance	• **Assisted Reviews**	Further to requests received from schools, to develop a menu of additional 'added value' assurance coverage, to support the schools' financial and wider governance framework, via a package of additional bespoke services tailored to specific requirements. This will allow a package of dedicated support devised specifically for targeted areas of assurance. In time, this may allow the development of "referenceable sites" which may allow a platform to consider the delivery of such services on a wider commercial basis.	No requests received during 2015/16