

**Internal Audit Service**

**Strategic Audit Plan 2016/17  
Interim Monitoring Statement**

**November 2016**

# 1 Introduction

- 1.1 The Strategic Audit Plan for 2016/17 was presented to the Audit Committee at its meeting in March 2016. The Strategic Audit Plan helps to ensure that Internal Audit is able to meet its aims as an independent appraisal 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 2016/17. The plan outlines the assignments to be carried out and the broad resources and skills required to cover the Plan.
- 1.3 This document provides an interim statement to the Audit Committee on progress, as at the end of September 2016, against the Annual Audit Plan for 2016/17. The Internal Audit Service has achieved 89.98% of planned productive days during the first two quarters of 2016/17, though the areas audited have sometimes needed to change to respond to emerging risk areas (explained in section 3).

# 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 Strategic Audit Plan have been 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 Strategic 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. This development is known as '3 + 9', whereby 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 Interim Report: Annual Audit Plan 2016/17**

- 3.1 During the first two quarters of 2016/17, the Internal Audit team has achieved 89.98% of the expected productive audit days which were planned. This reflects a team member's sickness absence, and additional time required for 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 In this period, 21 audits were originally programmed to take place. By the end of September 2016, 20 (95.24%) of these audits were either complete or underway, and the 1 originally planned audit that has not commenced has been reprogrammed to take place later in the year. Reprogramming audits in this way is a normal part of the audit planning and monitoring process. This adjustment is a normal part of Internal Audit's planning and performance management processes, and ensures that finite audit resources are directed to areas of maximum benefit to the Authority.
- 3.4 The key objectives and indicative outturn (as at the end of September 2016) for the audit reviews identified to take place during the first half year of 2016/17 are shown in section 5 of this document. Each of the auditable areas has been categorised as complete, underway or rescheduled. For those areas where Internal Audit has an advisory and assurance role, this is also identified in the table and the status explained.
- 3.5 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. To date in 2016/16, Internal Audit has been involved with:
- pro active anti-fraud work;
  - project assurance;
  - the follow up on implementation of audit recommendations;
  - general queries and requests for advice;
  - attendance at Boards and Working Groups (including Social Care and Sundry Debtors system replacements; Business Reporting and Analytics; Robotic Automation Processes; Information Security Group; ICT Performance and Prioritisation Board; Customer Journey and Digital Strategy Delivery Board; Public Services Network annual compliance submission; Cashless Strategy; Troubled Families Stakeholder Group; Netcall Bin Reporting Service; and iSupplier); and
  - responding to potential irregularities & special investigations.

### **4 Continued Audit Coverage in Strategic Audit Plan 2016/17**

- 4.1 The Authority is required 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”.<sup>1</sup> In discharging this responsibility, the Internal Audit Service seeks to ensure that audits of all key financial systems are undertaken within the year and all high-priority audits, determined by a risk assessment, are undertaken within the context of the Strategic Audit Plan. This ensures the integrity of the Audit Plan.

- 4.2 The required standards are the Public Sector Internal Audit Standards (PSIAS) and related Local Government Application Note.<sup>2</sup> PSIAS 2060 requires that the Chief Internal Auditor should report periodically to senior management and the board on Internal Audit matters, including “performance relating to its plan”.
- 4.3 The Internal Audit Service needs to be responsive to emerging issues and the requirements of the organisation. Professional auditing guidance states that internal audit plans should be flexible to accommodate work not originally included in the plan which has arisen as a result of external and internal factors.
- 4.4 The Strategic Audit Plan allows flexibility in enabling work to be programmed later within the Plan, based on a revised risk assessment, if higher priority assignments arise in-year. The indicative outturn of those audits originally planned to be undertaken in the second half of 2016/17 is shown in Section 6.
- 4.5 Performance against the Strategic Audit Plan is continually monitored. The Strategic Audit Plan and performance against the Plan will be re-assessed and revised for presentation to the Audit Committee in March 2017.

IA/AHM/KM/SCL  
November 2016

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<sup>1</sup> Accounts & Audit Regulations 2015

<sup>2</sup> Local Government Application Note for the UK Public Sector Internal Audit Standards (PSIAS), Chartered Institute of Public Finance & Accountancy/Institute of Internal Auditors, April 2013

## 5 Annual Audit Plan 2016/17 - Audits Scheduled during Quarters 1 & 2 and Indicative Outturn as at the end of September 2016

### Advice & Programme Assurance

Heading	Auditable Area	Description / Audit Objectives	Indicative outturn
Advice, Contingencies & Assurance	<ul style="list-style-type: none"> <li>• <b>Advice &amp; Guidance</b></li> <li>• <b>Contingencies &amp; Work Requests</b></li> <li>• <b>Fraud &amp; Special Investigations</b></li> <li>• <b>Quality &amp; Development</b></li> <li>• <b>Project Assurance</b></li> </ul>	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; project assurance and assuring appropriate consideration has been given to internal control and governance issues when new systems are introduced.	Advisory & assurance. Ongoing throughout year – on target.
Implementation & Evidence Checking	<ul style="list-style-type: none"> <li>• <b>Follow up on Recommendations</b></li> </ul>	Monitoring the implementation of Internal Audit recommendations, in consultation with the service areas which have received these recommendations. During the year, Internal Audit will review the process benefitting from shared learning within the Internal Audit and Risk Management Service and against best practice to ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner.	Ongoing throughout year – on target.
Programme Assurance	<ul style="list-style-type: none"> <li>• <b>Change Programme</b></li> <li>• <b>New Systems / Methods of Service Delivery</b></li> </ul>	Internal Audit will add value by providing assurance on aspects of the approach and work undertaken, and assessing the robustness of arrangements for benefits realisation. The systems, programmes and new initiatives to be supported will include providing assurance to the Senior Leadership Team on the Creating a Brighter Future programme and implementation of the Authority's Target Operating Model.	Ongoing throughout year – on target.

Audit and Assurance – Corporate & Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Indicative outturn
Corporate & Cross Cutting	<ul style="list-style-type: none"> <li data-bbox="405 284 777 427">• <b>Electronic Document &amp; Records Management System (EDRMS)</b></li> <li data-bbox="405 456 689 491">• <b>Health &amp; Safety</b></li> <li data-bbox="405 775 777 810">• <b>Governance Reviews</b></li> <li data-bbox="405 1066 701 1171">• <b>Pre Submission Review of Grant Claims</b></li> </ul>	<p data-bbox="801 277 1800 351">To provide assurance to the organisation as part of plans to introduce an Electronic Document and Records Management System (EDRMS).</p> <p data-bbox="801 456 1800 561">Further to assurance work previously undertaken, to review the effectiveness of the Authority’s Health and Safety procedures, to provide assurance as to compliance with health and safety legislation.</p> <p data-bbox="801 603 1800 740">To assess cultural awareness of health and safety issues throughout the Authority, determining the extent to which health and safety is considered and prioritised within service areas, and arrangements within each service for the management of health and safety risks.</p> <p data-bbox="801 775 1800 1034">To review the Authority’s approach to governance over collaborative working / commissioning of services with partner organisations. The areas to be covered will be developed during the year but will include:</p> <ul style="list-style-type: none"> <li data-bbox="853 890 1218 925">• Evaluation of controls;</li> <li data-bbox="853 928 1765 995">• Consistency of approach (taking into account factors such as proportionality and appropriateness); and</li> <li data-bbox="853 999 1733 1034">• Relevance / meeting strategic (and operational) objectives.</li> </ul> <p data-bbox="801 1066 1800 1203">To undertake grant claim certification in respect of external funding regimes on behalf of the Council, to ensure that grant funding requirements have been met and grant claims are submitted in accordance with grant conditions, to maximise available grant income.</p>	<p data-bbox="1845 277 2024 421">Underway – estimated completion Quarter 3.</p> <p data-bbox="1845 456 2114 523">Reprogrammed to Quarter 4.</p> <p data-bbox="1845 775 2101 919">Underway – estimated completion Quarters 3 and 4.</p> <p data-bbox="1845 1066 2101 1171">Ongoing throughout year – on target.</p>

Audit and Assurance – Service Area Specific

Heading	Auditable Area	Description / Audit Objectives	Indicative outturn
Children, Young People and Learning	<ul style="list-style-type: none"><li>• <b>Schools' Financial Value Standard (SFVS)</b></li></ul>	On behalf of the Head of Finance (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, and provide assurance to the Section 151 Officer relating to her annual report to the Department for Education.	Ongoing throughout year – on target.
Tyne Port Health Authority	<ul style="list-style-type: none"><li>• <b>Tyne Port Health Authority</b></li></ul>	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 2016. 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.

## Audit and Assurance – ICT

Heading	Auditable Area	Description / Audit Objectives	Indicative outturn
ICT	<ul style="list-style-type: none"> <li>• <b>Perimeter Security</b></li>   <li>• <b>Hardware and Software Management</b></li>   <li>• <b>Public Service Network (PSN) Compliance</b></li> </ul>	<p>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 and to provide an opinion to Management on the effectiveness of the system of internal control in place.</p> <p>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, and to provide an opinion to Management on the effectiveness of the system of internal control in place.</p> <p>To undertake the annual independent review of the Authority's compliance with the Public Service Network Code of Connection, to support the Authority's submission to the Public Services Network Authority for accreditation.</p>	<p>Underway – estimated completion Quarter 3.</p> <p>Underway – estimated completion Quarter 4.</p> <p>Complete.</p>

## Counter Fraud

Heading	Auditable Area	Description / Audit Objectives	Indicative outturn
Counter Fraud	<ul style="list-style-type: none"> <li>• <b>Pro-active anti-fraud work</b></li> </ul>	<p>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.</p>	<p>Ongoing throughout year – on target.</p>



## 6 Audits Originally Scheduled for Quarters 3 & 4 and Revised Schedule

### Audit and Assurance – New Service Delivery Arrangements

Heading	Auditable Area	Description / Audit Objectives	Indicative outturn
New Service Delivery Arrangements	<ul style="list-style-type: none"> <li>• <b>Strategic Partnerships – Business Services, Technical Services and Joint Venture company</b></li> </ul>	<p>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.</p> <p>This audit will build on existing assurance arrangements already established within the Authority for the strategic and day to day management of these contracts.</p>	Planned to commence in Quarter 3 – on target.

### Audit and Assurance – Corporate & Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Indicative outturn
Corporate & Cross Cutting	<ul style="list-style-type: none"> <li>• <b>Information Governance</b></li> <li>• <b>Annual Opinion</b></li> </ul>	<p>Further to assurance work previously undertaken, to review action taken by the organisation to manage and govern its information. To provide assurance on whether the controls and procedures in place ensure compliance with all relevant legislation and guidance, and are operating effectively.</p> <p>An annual opinion on the ‘adequacy and effectiveness of the framework of governance, risk management and control’ will be drafted and presented to the Chief Executive, Head of Finance (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 Council’s Annual Governance Statement.</p>	<p>Planned to commence in Quarter 4 – on target.</p> <p>Planned to commence in Quarter 4 – on target.</p>

### Audit and Assurance – Corporate & Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Indicative outturn
Corporate & Cross Cutting	<ul style="list-style-type: none"><li>• <b>Value for Money Reviews</b></li></ul>	To undertake specific value for money reviews on a range of topics of relevance to the organisation.	Planned to commence in Quarter 4 – on target.

### Audit and Assurance – Service Area Specific

Heading	Auditable Area	Description / Audit Objectives	Indicative outturn
Children, Young People and Learning	<ul style="list-style-type: none"><li>• <b>Primary &amp; First Schools, Middle Schools and Secondary Schools</b></li></ul>	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 Health, Education, Care and Safeguarding.	Planned to commence in Quarter 4 – on target.

Audit and Assurance – ICT

Heading	Auditable Area	Description / Audit Objectives	Indicative outturn
ICT	<ul style="list-style-type: none"><li data-bbox="398 284 784 319">• <b>Citrix Platform</b></li><li data-bbox="398 456 784 526">• <b>Access Approval (e-forms)</b></li><li data-bbox="398 628 784 699">• <b>Agile Working / Remote Access</b></li></ul>	<p data-bbox="801 284 1823 354">To determine whether the upgrade of the Citrix platform effectively supports the Authority in achieving its business aims.</p> <p data-bbox="801 456 1823 596">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.</p> <p data-bbox="801 628 1823 737">To determine whether the controls and procedures in place effectively support agile working, provide secure methods of remote access to the corporate network.</p>	<p data-bbox="1841 284 2119 424">Planned to commence in Quarter 4 – on target.</p> <p data-bbox="1841 456 2119 596">Underway – estimated completion Quarter 4.</p> <p data-bbox="1841 628 2119 769">Planned to commence in Quarter 4 – on target.</p>

## Internal Control & Probity

Heading	Auditable Area	Description / Audit Objectives	Indicative outturn
Internal Control & Probity	<ul style="list-style-type: none"> <li>• <b>Key Financial Systems:</b> <ul style="list-style-type: none"> <li>- <b>Payroll;</b></li> <li>- <b>Council Tax;</b></li> <li>- <b>Creditors &amp; Procurement;</b></li> <li>- <b>Cash &amp; Non Credit Income;</b></li> <li>- <b>Debt &amp; Non Cash Income;</b></li> <li>- <b>Benefits (Local Council Tax Support Scheme; Housing Benefits);</b></li> <li>- <b>Business Rates;</b></li> <li>- <b>Housing Rent Assessment &amp; Collection</b></li> </ul> </li> </ul>	<p>The audit priorities and objectives are determined taking a risk-based approach and advantage of the opportunities presented in operating in a shared working arrangement. The audits to be undertaken will be a blend of assignments with objectives primarily relating to issues of system compliance and those with objectives primarily aimed at driving improvement in economy, efficiency and effectiveness for the organisation:</p> <ul style="list-style-type: none"> <li>(i) evaluating the controls within a system designed to prevent and / or detect fraud, irregularity or error, and to ensure that transactions are processed in accordance with Council policy, Financial Regulations, legislation and the requirements of external bodies such as HM Revenues and Customs; in addition to</li> <li>(ii) reviewing a range of systems' intelligence to assess how well a system is achieving its objectives and overall desired outcomes, safeguarding the interests of the Authority and achieving value for money.</li> </ul>	Planned to commence in Quarters 3 and 4 – on target.