

# **Internal Audit Service**

## **Strategic Audit Plan 2016/17: Final Monitoring Statement**

**May 2017**



# 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 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 2016/17. 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 2017, against the Annual Audit Plan for 2016/17.

## 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 2016/17

- 3.1 During 2016/17, the Internal Audit team achieved 64.09% of the expected productive audit days which were planned. This reflects a number of exceptional factors occurring concurrently during the year (including a long term sickness absence in the team, an in-year reorganisation of the Internal Audit establishment, deployment of an Internal audit resource on an urgent one-off piece of non-audit work and work performed as part of the shared service for our partner local authority). Recruitment to a new vacant post created within the team is currently underway, with other factors outlined above which have impacted on resourcing and coverage being carefully managed.
- 3.2 During the year, 35 audit assignments were originally programmed. By April 2017, 27 (77%) of audits were either complete or underway. Those audits which have not yet commenced have been risk assessed as part of Internal Audit's continuing rolling programme and the majority have been included in the audit plan for 2017/18. Following discussions with the relevant service area, the need for two audits originally planned was superseded by the implementation of a new corporate ICT desktop strategy and collaborative tooling solution.
- 3.3 The key objectives and outturn (as at the end of April 2017) for the audit reviews identified to take place during 2016/17 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 2017/18. 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 2016/17, Internal Audit has been involved with:
- pro active anti-fraud work (including a major anti-fraud initiative related to Council Tax discounts);
  - project assurance and attendance at Boards and Working Groups (including Information Security Group, ICT Performance and Prioritisation Board, Public Services Network, Debtors system replacement project, Oracle iSupplier working group, Social Care Case Management system replacement, Cashless Projects, Customer Journey & Digital Strategy Delivery Board and Troubled Families Stakeholder Group);
  - the follow up on implementation of audit recommendations;
  - responding to general queries and requests for advice; 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; 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.
- 3.6 The main themes and findings from Internal Audit's work undertaken during 2016/17 are summarised in the Internal Audit Service 2016/17 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 2017/18 (set out in the Strategic Audit Plan presented to the Audit Committee in March 2017) is now underway. An update on progress will be presented to Audit Committee in November 2017 in accordance with normal reporting practices.

IA/AHM/KM  
May 2017

## 4 Annual Audit Plan 2016/17 - Outturn

### Advice & Programme Assurance

Heading	Auditable Area	Description / Audit Objectives	Outturn
Advice, Contingencies & Assurance	<ul style="list-style-type: none"> <li>• Advice &amp; Guidance</li> <li>• Contingencies &amp; Work Requests</li> <li>• Fraud &amp; Special Investigations</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 ( <i>see also proactive anti-fraud work in counter fraud &amp; internal control and probity section below</i> ); project assurance and assuring appropriate consideration has been given to internal control & governance issues when new systems are introduced.	Complete – continues into 2016/17
Programme Assurance	<ul style="list-style-type: none"> <li>• Change programme</li> <li>• New Systems / Methods of Service Delivery</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.	Complete – continues into 2016/17

### Audit and Assurance – New Service Delivery Arrangements

Heading	Auditable Area	Description / Audit Objectives	Outturn
New Service Delivery Arrangements	<ul style="list-style-type: none"> <li>Strategic Partnerships – Business Services, Technical Services and Joint Venture company</li> </ul>	<p>To examine and evaluate the application of agreed governance practices established in respect of the Council's strategic partnerships, to ensure that these are sound, operating as intended, and providing the Council with sufficient assurance that partnership objectives are being delivered and that the Council's interests are safeguarded.</p> <p>This audit will build on existing assurance arrangements already established within the Council for the strategic and day to day management of these contracts.</p>	Assurance mapping suggests that the need for this audit has been superseded as other assurance sources within the organisation have been established to assess similar objectives to those set out in the proposed audit assignment.

### Audit and Assurance – Corporate and Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Outturn
Corporate and Cross Cutting	<ul style="list-style-type: none"> <li>Information Governance</li> </ul>	Further to assurance work previously undertaken, 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.	Underway – estimated completion Quarter 2 2017/18
	<ul style="list-style-type: none"> <li>Electronic Document &amp; Records Management System (EDRMS)</li> </ul>	To provide assurance to the organisation as part of plans to introduce an Electronic Document and Records Management System (EDRMS).	Underway – estimated completion Quarter 1 2017/18

## Audit and Assurance – Corporate and Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Outturn
Corporate and Cross Cutting	<ul style="list-style-type: none"> <li>• Health &amp; Safety</li> </ul>	<p>Further to assurance work previously undertaken, to review the effectiveness of the Council's Health and Safety procedures, to provide assurance as to compliance with health and safety legislation.</p> <p>To assess cultural awareness of health and safety issues throughout the Council, 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>	Reprogrammed to 2017/18
	<ul style="list-style-type: none"> <li>• Governance Reviews</li> </ul>	<p>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>• Evaluation of controls;</li> <li>• Consistency of approach (taking into account factors such as proportionality and appropriateness); and</li> <li>• Relevance / meeting strategic (and operational) objectives.</li> </ul>	Reprogrammed to 2017/18
	<ul style="list-style-type: none"> <li>• Value for Money Reviews</li> </ul>	<p>To undertake specific value for money reviews on a range of topics of relevance to the organisation.</p>	<p>Separate Value for Money reviews have been reprogrammed to 2017/18. Value for money has continued to be assessed within the context of individual audits undertaken in year.</p>

## Audit and Assurance – Corporate and Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Outturn
Corporate and Cross Cutting	<ul style="list-style-type: none"> <li data-bbox="387 300 741 408">• Pre Submission Review of Grant Claims</li>   <li data-bbox="387 496 741 536">• Annual Opinion</li>   <li data-bbox="387 783 741 855">• Follow up on Recommendations</li> </ul>	<p data-bbox="763 300 1704 480">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="763 496 1704 751">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 data-bbox="763 775 1704 1038">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.</p>	<p data-bbox="1727 300 1872 331">Complete</p> <p data-bbox="1727 496 2119 568">Complete – Report to Audit Committee May 2017</p> <p data-bbox="1727 775 2107 847">Complete – continues into 2016/17</p>



Audit and Assurance – Service Area Specific

Heading	Auditable Area	Description / Audit Objectives	Outturn
Children, Young People and Learning	<ul style="list-style-type: none"> <li data-bbox="387 300 719 443">• Primary &amp; First Schools, Middle Schools and Secondary Schools</li> <li data-bbox="387 571 719 683">• Schools' Financial Value Standard (SFVS)</li> </ul>	<p data-bbox="763 300 1697 555">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.</p> <p data-bbox="763 571 1697 786">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.</p>	<p data-bbox="1727 300 2051 403">Underway – estimated completion Quarter 2 2017/18</p> <p data-bbox="1727 571 1872 603">Complete</p>
Tyne Port Health Authority	<ul style="list-style-type: none"> <li data-bbox="387 821 719 890">• Tyne Port Health Authority</li> </ul>	<p data-bbox="763 821 1697 1257">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.</p>	<p data-bbox="1727 821 1872 853">Complete</p>

## Audit and Assurance – ICT

Heading	Auditable Area	Description / Audit Objectives	Outturn
ICT	<ul style="list-style-type: none"> <li>• Citrix Platform</li> <li>• Perimeter Security</li> <li>• Hardware and Software Management</li> <li>• Access Approval (e-forms)</li> <li>• Agile Working / Remote Access</li> <li>• Public Service Network (PSN) Compliance</li> </ul>	<p>To determine whether the upgrade of the Citrix platform effectively supports the Authority in achieving its business aims.</p> <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 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>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>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>Superseded by the implementation of a new corporate collaborative tooling solution.</p> <p>Complete</p> <p>Underway – estimated completion Quarter 2 2017/18</p> <p>Underway – estimated completion Quarter 1 2017/18</p> <p>Superseded by the implementation of a new corporate collaborative tooling solution.</p> <p>Complete</p>

## Counter Fraud and Internal Control & Probity

Heading	Auditable Area	Description / Audit Objectives	Outturn
Counter Fraud	<ul style="list-style-type: none"> <li>• Pro-active anti-fraud work</li> </ul>	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	<ul style="list-style-type: none"> <li>• Key Financial Systems:               <ul style="list-style-type: none"> <li>- Payroll;</li> <li>- Creditors &amp; Procurement;</li> <li>- Debt &amp; Non Cash Income;</li> <li>- Cash &amp; Non Credit Income;</li> <li>- Benefits (Local Council Tax Support Scheme; Housing Benefits);</li> <li>- Council Tax;</li> <li>- Business Rates;</li> <li>- Housing Rent Assessment &amp; Collection</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>	<p>Payroll, Creditors &amp; Procurement and Debt &amp; Non Cash Income have been completed as part of a new 'continuous auditing' approach.</p> <p>Cash &amp; Non Credit Income and Council Tax are to be covered in 2017/18 as part of the move to our 'continuous auditing' approach.</p> <p>Benefits, Business Rates and Housing Rent Assessment &amp; Collection are underway – estimated completion Quarter 1 2017/18.</p>