



Northumberland County Council

Shared Internal Audit and Risk Management Service

Strategic Audit Plan 2016/17: Final Monitoring Statement

July 2017

CONTENTS

- 1 Introduction
- 2 Approach to Monitoring the Strategic Audit Plan
- 3 Final Report: Strategic Audit Plan 2016/17
- 4 Strategic Audit Plan 2016/17 - Outturn

1 Introduction

- 1.1 The Strategic Audit Plan for 2016/17 was presented to and approved by 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 Council, and sets out Internal Audit's objectives in the medium term.
- 1.2 The Strategic Audit Plan set out the key objectives for the audit reviews identified to take place during the 2016/17 financial year. 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 the Audit Committee on progress, as at the end of March 2017, against the Strategic Audit Plan for 2016/17.

2 Approach to Monitoring the Strategic Audit Plan

- 2.1 Time spent in respect of each audit activity is recorded in the Council's Internal Audit time management system. This system allows outturn information to be extracted and the Strategic Audit Plan to be monitored.
- 2.2 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: Strategic Audit Plan 2016/17

- 3.1 During 2016/17, the Internal Audit team has achieved 94% of the planned productive audit days. During the year the team responded to a number of important emerging assurance and investigation issues, for example a number of planning concerns were raised. This meant it was necessary to switch resource from scheduled audit and assurance activity. As a result and in accordance with professional auditing guidelines, the Chief Internal Auditor reassessed and reviewed the overall Plan to ensure audit resources were directed to areas of maximum benefit to the Council.
- 3.2 The key objectives and outturn (as at the end of March 2017) for the audit reviews identified to take place during the 2016/17 financial year 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.

- 3.3 In this period, 49 audit assignments were originally programmed. By April 2017, 39 (80%) audits were either complete or underway. Those audits not yet commenced have been risk assessed as part of Internal Audit's continuing rolling programme and the majority have been included in the Strategic Audit Plan during 2017/18. A further 5 ad-hoc pieces of work were also performed during the year as follows:
- Adolescent Accommodation Review;
 - Schools' Deficit Balances;
 - Planning Application Review - Morpeth Area;
 - Planning Application Review - Cramlington; and
 - Planning Application Review - Western Area.
- 3.4 During the year, the Strategic Audit Plan for 2016/17 was reviewed and adjusted to allow for:
- Time being required on contingencies and ad-hoc management requests;
 - Complexity of some of the areas under examination (significance of audit findings have warranted additional time on the audit); and
 - Audits deferred following changes in client service objectives, or service delivery, where system and operational requirements within the service mean that rescheduling the audit is necessary to ensure relevance to the organisation.
- 3.5 Internal Audit has a significant advisory role within the Council. A contingency of time is set aside in the Strategic Audit 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;
 - Project assurance;
 - Follow up on the implementation of audit recommendations;
 - General queries and requests for advice;
 - Attendance at boards and working groups; and
 - Responding to potential irregularities and special investigations.
- 3.6 The main themes and findings from Internal Audit's work undertaken during 2016/17 are summarised in the Chief Internal Auditor's 2016/17 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control presented to this Audit Committee on 26 July 2017.

Annual Audit Plan 2016/17

Advice & Programme Assurance

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Advice, Contingencies & Assurance	<ul style="list-style-type: none"> Advice & Guidance Contingencies & Work Requests Fraud & Special Investigations 	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; project assurance and assuring appropriate consideration has been given to internal control & governance issues when new systems are introduced.	Complete – audit support continues into 2017/18.
Programme Assurance	New Systems / Methods of Service Delivery	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 Corporate Leadership Team on the change programme for example the Digital Northumberland Strategy. Programme assurance has also been provided in relation to Highways Assets Revaluation and the Troubled Families Outcome Plan.	Complete – activity continues into 2017/18

Audit and Assurance – Corporate and Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Corporate and Cross Cutting	Follow up on Recommendations	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.	Complete – activity continues into 2017/18.
	Pre Submission Review of Grant Claims	There are a number of funding organisations that require an Internal Audit review prior to final claim submission. Internal Audit will undertake the necessary assurance checks as these grant submissions become due. Timing of many claims is uncertain but it is indicated that 17 claims will require auditing, totalling approximately £40m.	Completed when required by the grant funding bodies. 12 claims totalling £37m audited during 2016/17.

Audit and Assurance – Corporate and Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Corporate and Cross Cutting	Annual Opinion	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 (Section 151 Officer), Corporate 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.	Completed within planned audit days. Report presented to Audit Committee May 2016.
	Governance Reviews	To review the Council'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 further work relating to Active Northumberland and the Procurement Shared Service, and may include, for example, the stores partnership contract. An individual review will include: <ul style="list-style-type: none"> a) Evaluation of controls; b) Consistency of approach (taking into account factors such as proportionality and appropriateness); and c) Relevance / meeting strategic (operational) objectives. 	<p>3 Active Northumberland audits completed and 5 Active Northumberland core system reports are currently at internal quality review stage before being issued.</p> <p>4 Procurement Shared Service audits commenced in 2015/16 were completed in 2016/17. Further work is scheduled in 2017/18.</p> <p>Stores Partnership Contract review rescheduled to 2017/18.</p>
	Value for Money Reviews	To undertake specific value for money reviews on a range of topics of relevance to the organisation.	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.

Audit and Assurance – Corporate and Cross Cutting (continued)

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Corporate and Cross Cutting	Business Continuity Management & ICT Disaster Recovery	<p>This will be a corporate audit of business continuity management with a focus on Information Services 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. Included within the coverage, the audit will follow up and review progress made in the Authority’s business continuity arrangements since earlier audits of May 2011 and March 2013, and following the Council’s restructuring.</p>	<p>Following further considerations these audits will be split into 2 individual audits and have been deferred and re-prioritised during the 2017/18 audit planning process.</p>

Audit and Assurance – Service Area Specific (Corporate Resources)

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Information Services	Systems Reviews	<p>To continue a programme of system review audits that commenced in 2015/16. A risk-based approach is taken to prioritise the systems to be reviewed. The objectives will be 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:</p> <ul style="list-style-type: none"> • 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. <p>The following system reviews are to be undertaken:</p> <p>Debtors (ERP) System;</p> <p>BACS Payments;</p> <p>SWIFT (Social Services information system); and</p> <p>Mayrise (Highways information system).</p>	<p>Complete.</p> <p>Deferred until 2017/18.</p> <p>Complete.</p> <p>Fieldwork in progress – to be completed in 2017/18.</p>

Audit and Assurance – Service Area Specific (Wellbeing and Community Health Services)

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Safeguarding and Strategic Commissioning	Part III Accounts	To independently review and appraise systems of internal control in relation to the Part III System and to ascertain the extent of compliance with documented procedures, policies and regulations. To provide an opinion to management on the effectiveness of agreed procedures.	Preparatory work in progress – to be completed in 2017/18.
Education and Skills	Schools' Financial Value Standard (SFVS)	To co-ordinate schools in the completion of their mandatory returns, and provide assurance to the Chief Executive as Section 151 Officer relating to his annual report to the Department for Education.	Complete.
	School 'Health Checks'	Continuing a discretionary service introduced in 2011/12, schools may opt to purchase independent assurance to assist in preparation of their SFVS return and/or develop action plans for improvement.	Complete. The service is available on request. 5 health checks have been undertaken within 2016/17.
	Schools & Other Educational Establishments	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 the County's schools on a risk assessed basis.	<p>Complete. Health checks and other work undertaken (noted below) have provided the necessary data to inform the S151 Officer's annual declaration in relation to controls within schools.</p> <p>In progress - work has commenced on reviewing Information Technology security controls within a sample of schools. To be completed in 2017/18.</p>

Audit and Assurance – Service Area Specific (Wellbeing and Community Health Services) (continued)

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Education and Skills	Schools & Other Educational Establishments	<p>To provide advice and support on issues of probity and internal control, on school and other educational establishment financial governance related issues, as requested by the Director of Education and Skills. This may include, for example:</p> <ul style="list-style-type: none"> • Support in verifying aspects of financial arrangements in the case of any planned school closures or transfer to academy status; • Support in verifying aspects of financial arrangements in the case of any planned transfer of elements of service provision; or • Support to schools within the Schools Intervention and Support Programme. 	<p>Complete - a schools' deficit budgets review has been completed.</p> <p>Complete – a review and analysis of closing balances for two middle schools has been undertaken.</p> <p>Complete – a review of income processes and procedures within a middle school has been undertaken.</p> <p>Complete – a school closure audit completed for a closing first school.</p> <p>Support continues into 2017/18.</p>

Counter Fraud and Internal Control and Probity

Heading	Auditable Area	Description / Audit Objectives	Progress Update
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 2017/18.
Internal Control and Probity	Core Financial Systems; Business Rates; Travel and Subsistence; Rent Assessment and Collection; Housing and Council Tax Benefit; Creditor Payments; Cash and Bank; Debt and Income Management; Council Tax; Payroll; and Pre-Employment Checks	<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> <p>(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, Finance and Contract Rules, legislation and the requirements of external bodies such as HM Revenues and Customs; along with</p> <p>(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.</p>	<p>Draft report within the internal review process – to be finalised in 2017/18.</p> <p>Draft report with client awaiting management response - to be finalised in 2017/18.</p> <p>Draft report with client awaiting management response – to be finalised in 2017/18.</p> <p>Draft report within the internal review process – to be finalised in 2017/18.</p> <p>Complete.</p> <p>Complete.</p> <p>The remainder are re-scheduled into 2017/18.</p>