

NORTHUMBERLAND

Northumberland County Council

**Internal Audit and Risk Management
Service**

Strategic Audit Plan 2017/18:

Interim Monitoring Statement

November 2017

Annual Audit Plan 2017/18 – Interim Monitoring Statement

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.	<p>During the first half of 2017/18, an isolated but important governance matter was identified in one of the Council's group of companies. The emerging risks relating to this matter have required significant internal audit coverage so far in 2017/18. Work is nearing completion and once finalised, Audit Committee will be updated in due course.</p> <p>In addition to the ongoing provision of general advice and guidance to officers across the Council and in schools, more specific resource has been allocated to review requests and areas of potential irregularity and special investigations; including (i) a review of a range of financial procedures in a school and (ii) a complaint relating to a planning application and Section 106 monies.</p> <p>Internal Audit was also asked to assist in undertaking data-matching exercises for the Revenues and Benefits Service; during 2017/18, output data was used to review the take up of free school meals with the aim of encouraging and maximising take-up. In addition to benefiting the families concerned, take up has a direct impact on school budgets through the pupil premium. The financial impact of the exercise is currently being assessed.</p>

Advice & Programme Assurance (continued)

Heading	Auditable Area	Description / Audit Objectives	Progress Update
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.	<p>Ongoing commitments are supporting the Digital Northumberland Strategy Board, Government Digital Services, Information Governance Group and Troubled Families Partnership Meetings.</p> <p>In addition, Internal Audit is supporting the Service Director for Children's Social Care by providing assurance regarding elements of the Single Inspection Framework (SIF) Improvement Plan.</p>

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.	<p>Monitoring is ongoing. High and medium priority recommendations are usually followed up 6 months after the final report is issued.</p> <p>The process is to be reviewed to ensure that this is optimising effectiveness and value for the organisation.</p>

Audit and Assurance – Corporate and Cross Cutting (continued)

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Corporate and Cross Cutting	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 11 claims will require auditing, totalling approximately £27m.	<p>The following grant claims are complete:</p> <ul style="list-style-type: none"> • Broadband Delivery UK - certification of 2 claims for 2016/17 totalling £875k; • Local Transport Plan – certification of 2016/17 spend £17m; • Local Transport Plan North East Combined Authority – certification of 2016/17 spend £1.6m; • Challenge Fun (Masonry Arches) – certification of 2016/17 spend £2.5m; • Pothole Action Fund – certification of 2016/17 spend £1.1m; • Local Authority Bus Service Operators Grant – certification of 2016/17 spend £484k; • Troubled Families - 2 claims for 2017/18 totalling £270k with a further 2 claims scheduled for quarters 3 and 4. <p>Review of Carbon Reduction Commitment Energy Efficiency Scheme annual return for 2016/17 – approximate value £600k – Internal Audit supported the service manager in identifying issues and developing solutions to improve the accuracy of the submission.</p>
	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 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 days, reported to Audit Committee 26 July 2017.

Audit and Assurance – Corporate and Cross Cutting (continued)

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Corporate and Cross Cutting	Governance Reviews	<p>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 and will include further work relating to Active Northumberland and the Procurement Shared Service, and the stores contract. An individual review will include:</p> <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>For Active Northumberland, 5 core system draft reports are at internal quality review stage before being issued.</p> <p>Support to the review and implementation of the stores contract with Jewson Limited is underway; supporting management through a post implementation review aimed at giving a level of assurance regarding the controls in place for the secure issue, accurate charging and correct accounting for items of stores, in addition to the processes and procedures for the subsequent reporting of performance by the contractor against the contract terms and conditions.</p>
	Value for Money Reviews	<p>To undertake specific value for money reviews on a range of topics of relevance to the organisation.</p>	<p>Value for money continues to be assessed within the context of individual audits. Due to the time spent on the audit of the company matter outlined on page 2, detailed value for money reviews may need to be postponed within the 2017/18 year.</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 audits are planned for 2017/18:</p> <ul style="list-style-type: none"> • BACS System Review; • Internet; • ERP Procure to Pay; • IS Business Continuity Planning & Disaster Recovery; • Preparation for the General Data Protection Regulations; and • Public Service Network (PSN) Compliance <p>Payment Card Industry (PCI) Data Security Standard (DSS) compliance - 2017/18 audit fieldwork underway.</p> <p>Swift System Review 2016/17 – Audit report issued in September 2017 with significant assurance; 5 medium priority and 7 low priority recommendations.</p> <p>Mayrise System Review 2016/17 – Draft report issued with significant assurance.</p>

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

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Education and Skills	Schools' Financial Value Standard (SFVS)	To co-ordinate schools in the completion of their mandatory returns, and provide assurance to the Section 151 Officer relating to their annual report to the Department for Education.	This work takes place during quarters 3 and 4, in accordance with statutory reporting deadlines.

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

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Education and Skills	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.	1 Health Check undertaken - draft report issued with significant assurance.
	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.	Schools' ICT – draft report issued in October 2017 with limited assurance.
	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>School Websites – Internal Audit Briefing Note issued in September 2017.</p> <p>5 school closure audit visits have been completed prior to the schools closing in July 2017.</p>
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.	Fieldwork commenced.

Audit and Assurance – Service Area Specific (Local Services and Housing Delivery)

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Local Services and Housing Delivery	Affordable Housing (also jointly owned with Planning & Economy)	To provide programme assurance on the Affordable Housing Delivery Programme.	Audit report issued in July 2017 with moderate assurance; 4 medium priority recommendations agreed with management.
	Housing Delivery - Stores	To determine whether there are adequate controls within the stores systems to prevent and / or detect irregularity or error. To provide an opinion to management on the effectiveness of the system of internal control in place.	Fieldwork for this audit commenced in October 2017.

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 Cabinet Office's National Fraud Initiative and performing internal data matching exercises); and to raise the awareness of counter fraud and corruption measures across the organisation.	Under the National Fraud Initiative, data matches were released to officers within applicable service areas early in 2017 and the main investigation work is currently in progress. Data for the annual Flexible Matching Service for Council Tax Single Person Discount will be extracted in December 2017.

Counter Fraud and Internal Control and Probity (continued)

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Internal Control and Probity	<p>Core Financial Systems:</p> <p>Business Rates;</p> <p>Council Tax;</p> <p>Payroll;</p> <p>Creditor Payments;</p> <p>Cash and Bank;</p> <p>Debt and Income Management; and</p> <p>Rent Assessment and Collection</p> <p>Housing and Council Tax Benefit</p> <p>Also:</p> <p>Pre-Employment Checks; and</p> <p>Travel and Subsistence</p>	<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>Creditors - report issued May 2017 with significant assurance; 1 medium priority and 3 low priority recommendations.</p> <p>Business Rates 2016/17 - report issued June 2017 with significant assurance; 1 low priority recommendation.</p> <p>Creditor Payments – preparatory work underway.</p> <p>Housing Income Collection 2016/17 - report issued August 2017 with limited assurance; 10 medium and 8 low priority recommendations.</p> <p>Housing Benefit and Council Tax Support 2016/17 - draft report at internal review stage.</p> <p>Members & Senior Officer Expenses 2016/17 - draft report issued with significant assurance.</p> <p>2017/18 Audits of Key Systems are underway.</p>

