



# Northumberland

## County Council

AUDIT COMMITTEE

DATE: 23 MAY 2018

### STRATEGIC AUDIT PLAN 2017/18, FINAL MONITORING STATEMENT

#### **Report of Chief Internal Auditor**

#### **Purpose of report**

The purpose of this report is to provide Audit Committee with the final monitoring statement of the Strategic Audit Plan for 2017/18.

#### **Recommendations**

It is recommended that the Audit Committee considers and notes the information set out in the Final Monitoring Statement of the Strategic Audit Plan for 2017/18.

#### **Link to Corporate Plan**

The work of Internal Audit and the Audit Committee contributes to the achievement of all priorities in the Council's Corporate Plan 2018-2021.

#### **Key issues**

The Strategic Audit Plan for 2017/18 sets out in detail the planned Internal Audit coverage for the year and helps to ensure that internal auditing can fulfil its prescribed definition of "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations"<sup>1</sup>. A final monitoring statement, outlining progress against the Audit Plan for 2017/18, is attached as Appendix 1. It takes each audit review area and associated key objectives, as agreed by Audit Committee, and notes the progress achieved.

The planned productive days for the Internal Audit team for 2017/18 have been achieved. It is notable, however, that the level of additional work requests and special investigations that have been required is high and has led to the need to re-assess and review the overall Plan throughout the year.

#### **Background**

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<sup>1</sup> Public Sector Internal Audit Standards, CIPFA/IIA, 2017

The Strategic Audit Plan for 2017/18, covering the period 1 April 2017 to 31 March 2018, was presented to and approved by the Audit Committee at its meeting on 29 March 2017. The Internal Audit team has a key role in helping the Council towards achievement of its objectives by exploring areas of potential efficiency and matters of probity and internal control. The Plan helps to ensure that internal auditing can fulfil its prescribed definition of “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations”<sup>2</sup>.

The Plan is based upon an assessment of the Council’s objectives, risks facing the organisation, strengths and weaknesses in the internal control system and consultation with senior management, elected members and external auditor. It seeks to ensure that Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Council and is maintained under review to take into account changes in the governance arrangements and the control environment that occur during the year.

The Strategic Audit Plan sets out the key objectives for the audit reviews identified to take place during 2017/18. An interim monitoring statement was presented to the Audit Committee in November 2017.

The Final Monitoring Statement, outlining achievement against the Audit Plan for 2017/18, is attached as **Appendix 1**. This sets out each audit review and associated key objectives, as agreed by Audit Committee on 29 March 2017, and notes the progress achieved. In addition to this work, several audits were still in progress or awaiting a follow up review from the Strategic Audit Plan for 2016/17. A contingency of time was set aside to perform such work within the 2017/18 Strategic Audit Plan.

During 2017/18, 34 audit assignments were programmed. By April 2018, 29 (85%) assignments 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 2018/19.

The Internal Audit Service needs to be responsive to emerging issues and the requirements of the organisation and there was contingency provision built into the annual plan for additional work requests. Additional requests are assessed and prioritised against the agreed risk-based Plan. During 2017/18, the Service has undertaken a high level of work relating to emerging assurance issues within the organisation. It has therefore been necessary to switch resource from scheduled audit and assurance activity. As a result, and in accordance with professional auditing guidelines, the Chief Internal Auditor has re-assessed and reviewed the overall Plan throughout the year to ensure that audit resources are directed to areas of maximum benefit to the Council.

### **Implications**

<b>Policy</b>	Effective Internal Audit is an essential part of the County Council’s Corporate Governance arrangements. The Internal Audit service supports the Chief Finance Officer in discharging the requirements of section 151 Local Government Act 1972, which requires that local authorities ‘make arrangements for the proper administration of their financial affairs’. Internal Audit
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<sup>2</sup> Public Sector Internal Audit Standards, CIPFA/IIA, 2017

	examines the Council's systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed. The Strategic Audit Plan sets out the planned areas in which this coverage will be focussed, based on an assessment of risk.
<b>Finance and value for money</b>	The audit of the Council's activities reduces the potential for financial loss through fraud, waste, and inefficiencies.
<b>Legal</b>	The Accounts and Audit Regulations 2015, require the Authority 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. The Public Sector Internal Audit Standards require that the Chief Audit Executive (Chief Internal Auditor) should provide an annual outturn of performance against planned work.
<b>Procurement</b>	None
<b>Human Resources</b>	A robust Strategic Audit Plan provides clarity for officers within the Internal Audit service on the key outcomes which each audit assignment is intended to deliver. It is supported by an operational resourcing plan, ensuring that work can be properly planned and allocated.
<b>Property</b>	None
<b>Equalities</b> (Impact Assessment attached) Yes      No N/A	N/A
<b>Risk Assessment</b>	The audit plan is prepared using a risk-based approach, thus ensuring that coverage is focussed on those areas of Council activity with high levels of risk to the achievement of key objectives.
<b>Crime &amp; Disorder</b>	Section 17 of the Crime and Disorder Act 1998 has been considered, and no implications have been identified. The Strategic Audit Plan includes planned coverage on counter fraud assurance work.
<b>Customer Consideration</b>	The Strategic Audit Plan 2017/18 was based on a risk based audit needs assessment following consultation with customers of our Service including the Audit Committee, Chief Executive, Directors, Heads of Service, and the external auditor.
<b>Carbon reduction</b>	None

<b>Wards</b>	All
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**Background papers:**

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, revised April 2017;
- (b) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2013;
- (c) Strategic Audit Plan 2017/18, March 2017;
- (d) NCC Constitution, November 2017;
- (e) NCC Finance and Contract Rules, December 2011;and
- (f) The Accounts and Audit Regulations 2015, April 2015.

**Report sign off.**

	initials
Monitoring Officer/Legal	N/A
Executive Director of Finance & S151 Officer	N/A
Relevant Executive Director	N/A
Chief Executive	N/A
Portfolio Holder(s)	N/A

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