



**Northumberland**  
County Council

**Shared Internal Audit and Risk  
Management Service**

**Strategic Audit Plan 2017/18:  
Final Monitoring Statement**

**May 2018**



## Advice & Programme Assurance

Heading	Auditable Area	Description / Audit Objectives	Progress Update
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>	<p>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 &amp; governance issues when new systems are introduced.</p>	<p><b>Complete</b> - During 2017/18, isolated but important governance matters were identified in one of the Council's group of companies, Arch. The emerging risks relating to this matter have required significant internal audit coverage during 2017/18.</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, (ii) a complaint relating to a planning application and Section 106 monies, (iii) support to the external finance review of the Council (iv) establishing the existence and terms of service level agreements between the Council and an external organisation and ownership of assets held by the external organisation, and (v) an initial assessment of an anonymous referral made through safecall, the Council's independent confidential service for reporting concerns, alleging misuse of Council funds.</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,</p>

			take up has a direct impact on school budgets through the pupil premium. The financial impact of the exercise is in the region of £500,000 per annum.
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><b>Complete</b> – activity continues into 2018/19. Ongoing commitments are supporting the Digital Northumberland Strategy Board, Government Digital Services, Information Governance Group, Oracle Cloud Project 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. A draft report is currently at internal review stage.</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.	Monitoring is <b>ongoing</b> . A dedicated review will be undertaken during 2018/19 regarding progress with implementation of recommendations. Outcomes from this review will be presented to Audit Committee.

Audit and Assurance – Corporate and Cross Cutting (continued)

Heading	Auditable Area	Description / Audit Objectives	Progress Update
	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 eleven claims will require auditing, totalling approximately £27m.	<p><b>Complete.</b></p> <ul style="list-style-type: none"> <li>• Broadband Delivery UK - certification of two claims for 2016/17 totalling £875k and one claim for 2017/18 totalling £1,271k;</li> <li>• Local Transport Plan – certification of 2016/17 spend £17m;</li> <li>• Local Transport Plan North East Combined Authority – certification of 2016/17 spend £1.6m;</li> <li>• Challenge Fund (Masonry Arches) – certification of 2016/17 spend £2.5m;</li> <li>• Pothole Action Fund – certification of 2016/17 spend £1.1m;</li> <li>• Local Authority Bus Service Operators Grant – certification of 2016/17 spend £484k;</li> <li>• Troubled Families - four claims for 2017/18 totalling £458k; and</li> <li>• The Sele School £65k – certification of collaborative fund expenditure.</li> </ul> <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>

Audit and Assurance – Corporate and Cross Cutting (continued)

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.	<b>Complete</b> – Report to Audit Committee May 2018.
Corporate and Cross Cutting	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 and will include further work relating to Active Northumberland and the Procurement Shared Service. An individual review will include: <ul style="list-style-type: none"> <li>a) Evaluation of controls;</li> <li>b) Consistency of approach (taking into account factors such as proportionality and appropriateness); and</li> <li>c) Relevance / meeting strategic (operational) objectives.</li> </ul>	Support to the review of the stores contract with Jewson Limited is almost complete; supporting management through a post implementation review and providing a significant assurance audit opinion in our draft report 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.
	Value for Money Reviews	To undertake specific value for money reviews on a range of topics of relevance to the organisation.	Value for money continues to be assessed within the context of individual audits. Due to the time required on emerging and ad hoc pieces of work, detailed value for money reviews have been reprogrammed to 2018/19.

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"> <li>• The system complies with good practice and all legal, statutory and regulatory body requirements, and meets business need;</li> <li>• All transactions are completely and accurately recorded and traceable;</li> <li>• Access to information and facilities is controlled and restricted to authorised users according to their needs;</li> <li>• The potential for fraud and error are minimised;</li> <li>• The system is effectively administered and supported;</li> <li>• All staff using the system have been correctly trained to the level that will allow them to properly fulfil their duties;</li> <li>• The system is continually available during working hours;</li> <li>• The system provides complete and accurate management information; and</li> <li>• Upgrades to the system are properly resourced and managed to meet clearly stated and agreed business objectives.</li> </ul>	<p>Swift System Review <b>complete</b> – Audit report issued in September 2017 with significant assurance; five medium priority and seven low priority recommendations.</p> <p>Mayrise System Review <b>complete</b> – Audit report issued in January 2018 with significant assurance, four medium and eleven low priority recommendations.</p> <p>Planned reviews <b>currently underway</b>:</p> <ul style="list-style-type: none"> <li>• Preparation for the General Data Protection Regulations; ; and</li> <li>• Telephony.</li> </ul> <p>The following audits have been reprogrammed to 2018/19:</p> <ul style="list-style-type: none"> <li>• Payment Card Industry (PCI) Data Security Standard (DSS) compliance (<b>currently underway</b>);</li> <li>• IS Business Continuity Planning &amp; Disaster Recovery (<b>currently underway</b>);</li> <li>• BACS System Review;</li> <li>• Internet;</li> <li>• ERP Procure to Pay; and</li> <li>• Public Service Network (PSN) Compliance</li> </ul>

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 Chief Executive as Section 151 Officer relating to his annual report to the Department for Education.	<b>Complete</b> - All eligible schools submitted their assessments by the statutory deadline of 31 March 2018.
	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.	<b>Complete</b> – This service is available upon request. Two Health Checks completed, 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.	<p><b>Complete.</b> Schools' ICT audit report issued in January 2018 . Individual reports were also issued to the six schools visited for this audit.</p> <p>Evaluation of School Websites against guidance issued by the Department for Education – Internal Audit Briefing Note issued in September 2017.</p>
	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 Executive Director of Children's Services and Service Director of Education and Skills. This may include, for example:</p> <ul style="list-style-type: none"> <li>• Support in verifying aspects of financial arrangements in the case of any planned school closures or transfer to academy status;</li> <li>• Support in verifying aspects of financial arrangements in the case of any planned transfer of elements of service provision; or</li> <li>• Support to schools within the Schools Intervention and Support Programme.</li> </ul>	Five school closure audit visits have been completed prior to the schools closing in July 2017.



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.	<b>Underway.</b> The draft report for this work is currently at the internal review stage prior to being issued to service management.

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 and Economy)	To provide programme assurance on the Affordable Housing Delivery Programme.	<b>Complete.</b> Audit report issued July 2017.
	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.	<b>Underway.</b> A draft report for this work is currently at internal review stage prior to being issued to service management.
	Highways Recoverables Follow-up Audit	The original audit provided no assurance with regard to the systems in place to manage recovery of costs for third party damage to street furniture. The objectives of this follow up audit were to assess progress against the agreed recommendations and provide an updated opinion to Management on the effectiveness of the current system of internal control in place	<b>Underway.</b> A draft report for this work is currently at internal review stage prior to being issued to service management.

## 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.	Internal Audit act as the lead within the Council for the data-matching exercise. Data was extracted from the relevant Council systems and submitted to NFI, additionally fair processing notices were issued to notify all data subjects that data may be used for the prevention and detection of fraud. The main investigation work is complete and the results will be released by NFI in due course. Data for the annual Recheck Service for Council Tax Single Person Discount was released in December 2017, with a twelve month period for investigation of matches.

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>Creditor Payments;</p> <p>Rent Assessment and Collection;</p> <p>Housing and Council Tax Benefit;</p> <p>Payroll ;</p> <p>Debt and Income Management;</p> <p>Cash and Bank; and</p> <p>Council Tax.</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>Business Rates - 2016/17 report issued June 2017. The 2017/18 audit is currently <b>underway</b>.</p> <p>Creditors – 2016/17 report issued May 2017. The 2017/18 audit is <b>underway</b> at the draft report stage.</p> <p>Housing Income Collection 2016/17 - report issued August 2017. Rent Assessment and Collection – 2017/18 audit is <b>underway</b> at the draft report stage.</p> <p>Housing Benefit and Council Tax Support report issued April 2018, covering 2016/17 and 2017/18 – <b>complete</b>.</p> <p>2017/18 Audits of Payroll, Debt and Income Management, Cash and Bank, and Council Tax are currently <b>underway</b>.</p> <p>This audit will be included as part of a review of recruitment processes, included in the plan for 2018/19.</p> <p><b>Complete</b>. Draft report issued.</p>