



Northumberland

County Council

AUDIT COMMITTEE

DATE: 26 JULY 2023

STRATEGIC AUDIT PLAN 2022/23 – FINAL MONITORING STATEMENT

Report of the Head of Internal Audit and Risk Management

Purpose of report

The purpose of this report is to provide Audit Committee with a final monitoring statement in respect of the Strategic Audit Plan for 2022/23.

Recommendations

It is recommended that the Audit Committee notes and considers the information set out in the Strategic Audit Plan Final Monitoring Statement, attached as **Appendix 1**.

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. In particular it supports the "Achieving Value for Money" priority of the Corporate Plan 2023-26.

Key issues

The Strategic Audit Plan 2022/23 was presented to, and approved by, the Audit Committee at its meeting on 23 March 2022. The Strategic Audit Plan helps to ensure that Internal Audit is able to meet its aims as an independent appraisal function for the Council and sets out Internal Audit's objectives (based on an assessment of risks and opportunities for the organisation).

A final monitoring statement, outlining progress against the Plan for 2022/23, 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. During 2022/23, 48 assignments were originally programmed. Of these assignments, 26 (54%) are complete, with fieldwork complete in 7 of 9 reviews currently being finalised. The table below shows the current status of all planned activity for 2022/23:

| Status of Planned 22/23 Assignments | 22/23 | Percentage |
|--|--------------|-------------------|
| Complete | 26 | 54% |
| Currently being completed | 9 | 19% |
| Reprogrammed to 2023/24 | 12 | 25% |
| Work not required | 1 | 2% |
| Total | 48 | 100% |

A further 10 assignments have been completed, which were not included within the Strategic Audit Plan. In addition, work has also been completed in relation to 10 assignments that had commenced in the previous financial year.

In order to ensure that we continue to support the Authority and provide coverage of emerging high-risk and priority areas, the Strategic Audit Plan is kept under continuous review. This is a normal part of the planning and delivery process in accordance with professional guidance and is informed by various factors such as, more appropriate timing for reviews (i.e. as a result of pending changes in legislation), to allow resources to be redirected to unplanned work (i.e. investigations and urgent work requested by management), and to respond to changes in resource levels within the service.

As a result of the continuous review of the Strategic Audit Plan, the following changes to planned activity occurred during 2022/23:

- The planned audit of 'Northumberland Enterprise Holdings Limited – shareholder governance arrangements' was not required as the Council's objectives for this subsidiary company changed during 2022/23.
- 12 planned assignments were not undertaken. These have all been risk assessed and have all been included in the 2023/24 Strategic Audit Plan.
- A number of special investigations were undertaken where potential fraud and theft were suspected.
- A number of reviews were completed at the request of the Executive Director – Transformation and Resources (s151 Officer) in relation to potentially unlawful payments following the s114 report.
- Certification of an additional 9 grant claims was undertaken, all of which were found to be compliant with the grant conditions, with a combined value of £24.14 million.

The Council's shared service arrangement with North Tyneside Council for the provision of Internal Audit and Risk Management services ended on 31 March 2022 and during 2022/23, a new structure for the wholly in-house service was agreed and recruitment undertaken into a number of roles. This has had an impact upon completion of planned activity during 2022/23 due to some posts being vacant for part of 2022/23, along with some sickness absence. Despite these changes, the service delivered 90.5% of the planned productive audit days set out in the 2022/23 resource plan.

Background

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. Preparation of a Strategic Audit Plan ensures that Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Council. The Plan is kept under review to take into account changes in governance arrangements and the control environment that occur during the year.

The Strategic Audit Plan for 2022/23 was presented to, and approved by, the Audit Committee at its meeting on 23 March 2022. The Plan, which is based upon an

assessment of risks and opportunities, 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”¹.

In accordance with good professional practice and the Public Sector Internal Audit Standards (PSIAS), reports on performance against the Plan are presented to the Audit Committee on a twice-yearly basis. An interim monitoring statement showing progress against the 2022/23 Plan, was presented to the Audit Committee on 30 November 2022 and it was agreed that a final outturn statement (**Appendix 1**) would be presented at the end of the financial year.

Implications

| | |
|------------------------------------|--|
| Policy | Effective Internal Audit is an essential part of the County Council’s governance arrangements. Internal Audit examines the Council’s systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed. Based on an assessment of risk, the Strategic Audit Plan sets out the planned areas in which this coverage will be focussed. |
| Finance and value for money | The audit of the Council’s activities, as set out in the Strategic Audit Plan, promotes good financial governance and the importance of value for money. Effective control in these areas reduces the potential for financial loss through fraud, waste, and inefficiencies. |
| Legal | The Accounts and Audit Regulations 2015, require the Council 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 report periodically to senior management and the board on Internal Audit matters, including performance against planned activity. |
| Procurement | None |
| Human Resources | 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. |
| Property | None |

| | |
|-------------------|-----|
| Equalities | N/A |
|-------------------|-----|

¹ Public Sector Internal Audit Standards, CIPFA/IIA, 2017

| | |
|--|--|
| (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> | |
| Risk Assessment | 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. |
| Crime & Disorder | 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. |
| Customer Consideration | The Strategic Audit Plan 2022/23 was based on a risk-based audit needs assessment following consultation with customers of our Service including the Audit Committee, Chief Executive, Executive Directors, relevant Service Directors and Heads of Service and the Cabinet Member for Corporate Services. |
| Carbon reduction | None |
| Wards | All |

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, 2017;
- (b) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, 2019;
- (c) Strategic Audit Plan 2022/23, March 2022
- (d) The Accounts and Audit Regulations 2015, April 2015;
- (e) Northumberland County Council Constitution & Finance and Contract Rules.

Report sign off

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| | initials |
| Monitoring Officer/Legal | N/A |
| Executive Director of Transformation & Resources (s151 Officer) | N/A |
| Relevant Executive Director | N/A |
| Chief Executive | N/A |
| Portfolio Holder(s) | N/A |

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