



Northumberland
County Council

Internal Audit and Risk Management Service

Strategic Audit Plan 2024/25

1 Introduction

- 1.1 Internal Audit is “*an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*”¹. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.2 Internal Audit is an independent resource available to assist the organisation to explore areas of potential efficiency and matters of probity and internal control. We seek to use our business intelligence and knowledge of the Council to make sensible, informed recommendations for improvement, and thus contribute to the effective running of the organisation.
- 1.3 Internal Audit provides assurance to the organisation that controls established to manage risks to the achievement of the Council’s objectives are operating effectively. This has a positive impact on the risk environment, informing management whether the action which they are taking to control and manage risks is working as it should.
- 1.4 The Strategic Audit Plan has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) and a specific Local Government Application Note on the Standards. These were introduced in 2013 (revised in subsequent years) and build upon the good practice set out in previous professional regulations, including audit planning requirements, and have the force of law. Preparation has involved establishing a risk-based plan to determine the priorities of internal audit activity, consistent with the organisation’s goals and the aspirations of key stakeholders with regard to assurance activity for the Council.
- 1.5 The Strategic Audit Plan, more detail of which is included in section 8, helps to ensure that Internal Audit is able to meet its objectives as an independent assurance function for the Council and to provide an independent and objective opinion to the organisation on the adequacy and effectiveness of the framework of governance, risk management, and control. Internal Audit must be independent in its planning and operation. Accordingly, in producing the Strategic Audit Plan, the Chief Internal Auditor (Head of Internal Audit and Risk Management) is required to determine the priorities of Internal Audit, following consultation with stakeholders and assessment of risk, and to present this Plan to senior management and the ‘Board’ for review and approval.

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

2 Period Covered by the Strategic Audit Plan

- 2.1 The Strategic Audit Plan sets out the assurance coverage which Internal Audit will deliver within the coming financial year, 2024/25. The Plan needs to be realistic and achievable, and sufficiently flexible to respond to changing priorities as they occur.
- 2.2 On an annual basis, the areas which may benefit from audit review, and the risk associated with the Council's operations are reassessed. Every year, an updated Strategic Audit Plan is presented to the Audit Committee for approval.
- 2.3 The key objectives for the audit reviews identified to take place during 2024/25 are shown in section 8 of this document and each audit has been mapped to the Corporate Plan 2023-2026, to demonstrate that assurance is not provided in isolation but contributes directly to the achievement of the Council's main goals.

3 Risk Assessment and Audit Planning

- 3.1 It is important that audit resources are targeted at areas in which audit coverage will produce greatest benefit. Risk-based internal auditing requires Internal Audit to understand and analyse management's assessment of risk, and base audit efforts around this assessment of risk to the organisation.
- 3.2 Internal Audit adopts assurance mapping to assess the level of confidence the Council can have in its service delivery, management of risks, operation of controls and performance. Considering the prevailing corporate risks, details of assurance sources have been mapped across three levels often referred to as the three lines model, i.e. management, corporate oversight and independent assurance. This provides information on assurances the Council has on areas of the business that matter most, and highlighting where there may be potential deficiencies.
- 3.3 In addition to corporate risks, a number of other sources of information are considered as part of the Internal Audit planning process, including:
 - Service Strategic Risks rated as 'Red' by Heads of Service and Directors
 - Internal Audit work undertaken during 2023/24 and any audit reports with a 'Limited Assurance' Opinion
 - Our 'Audit Universe' of auditable areas across the Council
 - Reports to Council, Cabinet and other Committees
 - Consultation with key stakeholders, including Executive Management Team, Corporate Risk Owners, Audit Committee and the Cabinet Member for Corporate Services.
- 3.4 Those auditable areas identified as most risk-sensitive by this process have been prioritised for audit in the Plan. Changes in the risk environment along with progress against the Plan will continue to be monitored and assessed throughout the year, and the results of this assessment used to inform in-year and future audit priorities. This ensures that the Plan remains flexible and reflects the risks facing the Council.
- 3.5 The Strategic Audit Plan has therefore been based on an assessment of the Council's objectives and business goals, risks facing the organisation and its

achievement of these goals, known strengths and weaknesses in the internal control system, the Accounts and Audit Regulations 2015, and the views of consultees.

4 Internal Control: Roles of Management and of Internal Audit

4.1 It is a management responsibility to establish effective internal controls, in order that activities are conducted in an efficient and well-ordered manner. Internal control comprises the whole system of controls and systems, financial and otherwise, established by management to:

- safeguard assets and prevent fraud;
- ensure the completeness and reliability of records;
- monitor adherence to laws, regulations, policies and directives;
- promote operational efficiency and good value for money; and
- manage risk.

4.2 Amongst its responsibilities, Internal Audit examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit assists management in delivering the objectives of the Council through assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment. Internal Audit's remit includes:

- assessing if operations are being carried out as planned, and if objectives / goals are being achieved;
- assessing the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation or externally;
- assessing the completeness, reliability and integrity of information, both financial and operational;
- assessing the extent to which the Council's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud, corruption, waste, extravagance, abuse, ineffective management and poor value for money; and
- assessing the economy, efficiency and effectiveness with which resources are deployed.

4.3 It is usual that a project brief is produced and distributed prior to an audit starting so that the objectives of the audit and approach to be adopted are understood and agreed by both Internal Audit and the audit client.

5 Quality Standards

5.1 Under the Accounts and Audit Regulations 2015, the Council must "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 Department for Communities and Local Government (DCLG) determined that the 'proper practices in relation to internal control' will comprise both the Public Sector Internal Audit Standards (PSIAS) and the specific Local Government Application Note. The Chartered Institute of Public Finance and

Accountancy (CIPFA) has been designated the relevant Internal Audit Standard Setter for local government bodies under the PSIAS.

- 5.2 The PSIAS incorporate a Code of Ethics for internal auditors, and a number of clear attribute and performance standards with which Internal Audit functions are required to comply. It is a requirement of the PSIAS that Internal Audit is externally assessed for its conformance to the standards at least once in every five years. During 2023 an external assessment of Northumberland County Council's Internal Audit Service was performed by CIPFA. The overall opinion of the external assessor was:

"It is our opinion that the internal audit service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note."

- 5.3 This is a positive result and "generally conforms" is the highest assessment outcome provided by CIPFA. Some suggested improvements were identified and an action plan has been developed to address these.

6 Resource Management

- 6.1 The Chief Internal Auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Internal Audit's establishment from April 2024 comprises the equivalent of 8.42 full time employees and the Head of Internal Audit and Risk Management, although Internal Audit also provides assurance services for some other entities (e.g. the Advance Northumberland Group of Companies) from the same FTE complement outlined above. As we prepare for 2024/25 this figure includes one vacancy within the service, and the recruitment process in relation to this post is being progressed. The resourcing of Internal Audit is kept under constant review.
- 6.2 Reporting lines within the Internal Audit and Risk Management team ensure a separation of duties between Internal Audit and Risk Management functions, in order to ensure compliance with the Public Sector Internal Audit Standards and prevailing good practice regarding assurance and independence.
- 6.3 As reported to Audit Committee at its meeting in January 2023, the PSIAS require that a quality assurance and improvement programme (QAIP) be developed, designed to enable an evaluation of internal audit's compliance with the PSIAS and Code of Ethics, and assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The QAIP approved by Audit Committee in January 2023 was developed to codify these arrangements. As part of this process, we have formalised performance indicators designed to measure the efficiency and effectiveness of the service, which are reported to Audit Committee throughout the year.

7 Key Themes in the Strategic Audit Plan, 2024/25

- 7.1 Based on Internal Audit's assessment of risk, including knowledge of the Council's internal controls, areas of strength and weakness and the Council's priorities, the Strategic Audit Plan bears the following key themes.

Advice & Programme Assurance

Programme and Project Assurance

- The Strategic Audit Plan recognises Internal Audit's project assurance role. This role involves advising on, and challenging, the approach to internal control within new or improved systems and methods of service delivery. By undertaking this role, Internal Audit proactively acts as a partner to the business and adds maximum value to service improvement, in order to assist the Council's Executive Management Team and the organisation to achieve objectives. This aspect of Internal Audit's role has increased in prominence over recent years and was a recurring theme in Internal Audit's discussions with senior management as part of our consultation in relation to the 2024/25 Audit Plan, particularly in respect of our BEST programme.

Advice and Consultancy, and Contingencies

- During the year Internal Audit will be approached by management for advice, or requested to examine ad-hoc areas, systems or irregularities. A contingency has been set aside in order that Internal Audit is able to respond efficiently to such requests. The required number of contingency days is difficult to predict and can by its very nature be subject to variation as it includes responding to potential irregularities and performing special investigations. For the purposes of resource planning, historic data on the ad-hoc requests previously made to Internal Audit, and the time required, have been reviewed and used to inform the allocation set out.

Audit and Assurance

Corporate and Cross Cutting Activities

- Areas which are important throughout all of the Council's services in respect of which audit review helps give assurance to the organisation or highlights aspects in which improvement could be made. During 2024/25 these audit activities will include:
 - Following up audit recommendations;
 - Pre-submission review of grant claims;
 - The Chief Internal Auditor's Annual Opinion;
 - Governance and value for money reviews.

Service Area Assurance / Schools

- The Internal Audit Service performs high quality audits of the Council's service areas, focusing on specific areas of importance or risk. Regarding schools, Internal Audit will address risk issues within a school environment through a thematic approach, auditing key risk areas in a sample of schools and cascading key messages and learning points throughout the wider school environment.

Computer Audit

- The Council invests heavily in computer-based systems to aid delivery of services and to undertake the majority of financial processing tasks. The use and integration of information and communications technology (ICT) within the Council continues to increase. As well as improved economy, efficiency and effectiveness, computer-based systems involve a different set of risks which require a specific audit approach.
- Computer audit is a specialist audit area, requiring detailed knowledge and skills associated with information and communications technology. Accordingly, it is planned to undertake a continuous programme of audits on the Council's ICT systems.

Counter Fraud and Key Financial Systems

Key Financial Systems

- A key role of the Internal Audit Service is the assessment of internal control in the Council's key financial and strategic systems. Key financial systems comprise those major systems by which the Council makes payments (payroll and creditor payments), and the major systems through which income is received (cash or debtor account). Strategic systems are fundamental to the payment or collection of money to or from the Council, including housing benefit / council tax support, council tax, business rates and housing rents.
- The key systems are fundamental to internal financial control and management, as they are the systems by which the Council's income is received and disbursed. The Council needs to be assured that a high standard of probity are present in these systems. During 2024/25 Internal Audit's review of the key financial systems are being designed to focus on the areas of highest risk to the Authority.

Counter Fraud

- The establishment and maintenance of effective controls in the Council's key financial systems and strategic systems is a major strand in our organisation's counter fraud arrangements. Such controls proactively prevent the opportunity for many types of fraud, and the evaluation of the existence and application of suitable controls within these systems is therefore given due prominence in Internal Audit's planned workload.
- The management of fraud and corruption is the responsibility of management, and the Head of Internal Audit & Risk Management is required to make arrangements to be notified of all suspected or detected fraud, corruption or impropriety, to inform his annual Internal Audit opinion and the risk-based Plan. Although Internal Audit does not have the responsibility for the prevention or detection of fraud and corruption, its work assists management to fulfil their responsibilities through the strengthening of internal control.

- All members and officers of the Council are responsible for the prevention of fraud and corruption. Internal Audit assist in this by undertaking pro-active anti-fraud work during the year, linked to work on the key financial systems, the content of which is determined through an ongoing risk assessment process. Following the transfer of the Council's Corporate Fraud team into the Internal Audit and Risk Management Service in December 2022 there has been a number of opportunities for liaison and joint working between the Internal Audit and Corporate Fraud Teams and these arrangements continue to evolve and develop.
- Internal Audit acts as a key contact for the Cabinet Office in respect of the National Fraud Initiative (NFI). The NFI is the Cabinet Office's data matching exercise that tackles a broad range of fraud risks faced by the public sector. The NFI has been embedded in the statutory external audit process for audited and inspected bodies since 1998.

Reprogrammed Work

- Professional auditing guidance states that internal audit plans should be flexible to accommodate work not originally included in the plan which has arisen as a result of external and internal factors. This is a normal part of the audit planning and management process and reflects that audits are undertaken on a continuous rolling programme, according to the optimum timing for each piece of work.

8 Annual Audit Plan 2024/25

Advice & Programme Assurance

Heading	Auditable Area	Description / Audit Objectives	Priority	Link to Corporate Plan
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.	N / A	All Corporate Plan priorities
Programme Assurance	New Systems / Methods of Service Delivery	<p>Internal Audit may be asked to 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 are continually reviewed and assessed. Consultation on the Audit Plan identified the following areas that may benefit from Internal Audit's support:</p> <ul style="list-style-type: none"> • Data Quality underpinning the Performance Management Framework • BEST – Benefit Realisation management processes • Corporate Health and Safety Arrangements • People Strategy and Job Evaluation Process • Strategic Community Safety Governance Arrangements • Social Housing (Regulations) Act 2023 – Governance Arrangements • Northumberland Fire and Rescue Service – Continuous Improvement Plan and Performance Assurance Framework 	N / A	All Corporate Plan priorities

Audit and Assurance – Corporate and Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Priority	Link to Corporate Plan
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 within the Internal Audit and Risk Management Service to ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner.	N / A	All Corporate Plan priorities
	Pre-Submission Review of Grant Claims	There is an increasing number of funding streams 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.	N / A	'Achieving Value for Money'
	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, Executive 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.	N / A	All Corporate Plan priorities

Audit and Assurance – Corporate and Cross Cutting (continued)

Heading	Auditable Area	Description / Audit Objectives	Priority	Link to Corporate Plan
Corporate and Cross Cutting	Governance and Value for Money Reviews	<p>To review whether appropriate internal controls exist within a sample of significant business arrangements within Northumberland County Council. Where it is possible to assess the economy, efficiency and effectiveness of specific aspects of these arrangements, this will also be undertaken. Areas proposed to be reviewed under this heading in 2024/25 include:</p> <ul style="list-style-type: none"> • Adults, Ageing and Wellbeing: <ul style="list-style-type: none"> ○ Deputyship Arrangements ○ Joint Equipment Loan Service ○ Part III Payments • Chief Executive’s Office: <ul style="list-style-type: none"> ○ Policy Framework ○ Election Governance ○ Public Protection ○ Advance Northumberland – Revised Governance Arrangements ○ Civil Contingency and Business Continuity – Follow-up review ○ Recruitment and Retention Processes • Children, Young People & Education: <ul style="list-style-type: none"> ○ Quality of Practice Framework ○ Special Guardianship Orders / Section 17 Payments • Place & Regeneration: <ul style="list-style-type: none"> ○ Multiple Large Scale Capital Schemes – Follow-up review ○ Planning – Follow-up review ○ Fleet Management ○ Acquisition / Disposal of Land & Buildings • Public Health, Inequalities & Stronger Communities: <ul style="list-style-type: none"> ○ Complaints processes ○ Northumberland Communities Together Grant Administration ○ Pharmacy Contracts and Outcomes • Transformation & Resources: <ul style="list-style-type: none"> ○ Contract Management Arrangements – Follow-up review 	High	All Corporate Plan priorities

Audit and Assurance – Service Area Specific (Corporate Resources)

Heading	Auditable Area	Description / Audit Objectives	Priority	Link to Corporate Plan
Information Services	Systems and Governance Reviews	<p>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 systems and procedures comply with good practice and all legal, statutory and regulatory body requirements, and meet business needs; • 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 systems and procedures are effectively administered and supported; • All staff have been correctly trained to the level that will allow them to properly fulfil their duties; • The systems are available to serve the needs of the business; • The systems and procedures provide complete and accurate management information; and • Upgrades and changes to systems and procedures are properly resourced and managed to meet clearly stated and agreed business objectives. <p>For 2024/25, specific ICT audit coverage will be prioritised to cover Cyber Security and other previously issued Limited Assurance audit opinions, including Data Storage, Retrieval and Access Rights and Business Continuity and Disaster Recovery</p>	High	'Achieving Value for Money'
	Accreditation pre-submission reviews	<p>To undertake independent review of the Authority's compliance with recognised standards prior to submission for accreditation or re-accreditation:</p> <ul style="list-style-type: none"> • Payment Card Industry Data Security Standard (PCIDSS) • Public Service Network (PSN) Compliance 		

Audit and Assurance – Service Area Specific

Heading	Auditable Area	Description / Audit Objectives	Priority	Link to Corporate Plan
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.	High	'Achieving Value for Money'
	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.	High	'Achieving Value for Money'
	Schools & Other Educational Establishments	To provide advice and support on issues of probity and internal control, on school and other educational establishment financial governance related issues, as requested. This may include, for example: <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. 	High	'Achieving Value for Money'

Counter Fraud and Key Financial Systems

Heading	Auditable Area	Description / Audit Objectives	Priority	Link to Corporate Plan
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.	N / A	'Achieving Value for Money'
Key Financial Systems	Business Rates; Council Tax; Payroll; Creditor Payments; Cash and Bank; Debt and Income Management; Rent Assessment and Collection; Housing and Council Tax Benefit	The key financial systems encompass the main ways in which the Council either pays money out (Creditor Payments, Payroll, Housing & Council Tax Benefit) or receives monies in (Business Rates, Council Tax, Debt and Income Management, Rent Assessment and Collection). Each of these areas will be given some audit coverage in each financial year, with emphasis dictated by the organisation's risk profile determined on an annual basis.	High	'Achieving Value for Money' All Corporate Plan priorities

Internal Audit & Risk Management Service Strategic Statement 2024/25

The Accounts and Audit Regulations 2015 provide that each Council shall 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 regulations further state that any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit –

- (a) Make available such documents and records; and
- (b) Supply such information and explanations;

as are considered necessary by those conducting the internal audit. In this regulation, it is clear that “documents and records” includes information recorded in an electronic form.

In Northumberland County Council, this requirement is discharged by the Internal Audit Service. Internal Audit is *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*².

The overall objective of Internal Audit is to provide a comprehensive, professional assurance service to the Council, which adds value to the organisation, rigorously challenges and assesses the adequacy of the control environment and assists management in achieving organisational goals. Internal Audit seeks to undertake its work in compliance with all professional auditing standards (Public Sector Internal Audit Standards, together with an associated Local Government Application Note). Internal Audit’s Audit Charter will be reviewed annually and updated accordingly. In doing so, Internal Audit will identify and address local and national issues and risks. Corporate Plan priorities are clearly identified alongside each auditable area prioritised for coverage, and the specific objectives to be included in scope, in the Strategic Audit Plan.

Assurance for the Annual Governance Statement will be obtained from a number of information sources within the Council, the Internal Audit Service being a major component of such assurance. The Head of Internal Audit & Risk Management will use the outcomes and findings of Internal Audit work undertaken throughout the year to prepare an annual Internal Audit report, detailing his opinion on the Council’s framework of governance, risk management and control. This opinion will be presented to the Council’s Audit Committee and timed to support preparation of the Annual Governance Statement, in order that the outcomes of the work of the Internal Audit Service can inform the Annual Governance Statement.

² Public Sector Internal Audit Standards, CIPFA / IIA, revised April 2017

The Internal Audit Service uses a risk-based approach in preparing the Strategic Audit Plan, utilising information available from the Council's risk management processes and Internal Audit's own assessment of risk. This assessment of risk involves identifying significant local and national issues and risks for further assessment, in order that Internal Audit resources are deployed in areas of greatest benefit to the Council.

An assessment of the resources necessary to deliver this strategy is kept under constant review.