

North Tyneside Council Report to Audit Committee Date: 21 November 2018

ITEM 8

Title: Strategic Audit Plan 2018/19
Interim Monitoring Statement

Report from Service Area: Finance

Report Author: Allison Mitchell, Chief Internal Auditor (Tel: 643 5720)

Wards affected: All

PART 1

1.1 Purpose:

The purpose of this report is to provide the Audit Committee with an interim (half yearly) monitoring statement in respect of the Strategic Audit Plan for 2018/19 (this document is attached as **Appendix A**).

1.2 Recommendation(s):

It is recommended that the Audit Committee considers and notes the progress set out in the Strategic Audit Plan Interim Monitoring Statement, attached as **Appendix A**, and the levels of planned coverage achieved by Internal Audit at this stage in the year.

1.3 Council plan and policy framework

The work of Internal Audit and the Audit Committee covers all service responsibilities as identified within the Council Plan.

1.4 Information

Strategic Audit Plan 2018/19 Interim Monitoring Statement

- 1.4.1 The Strategic Audit Plan 2018/19 was presented to, and approved by, the Audit Committee at its meeting on 28 March 2018. The Strategic Audit Plan helps to ensure that Internal Audit is able to meet its aims as an independent appraisal function for the Authority, and sets out Internal Audit's objectives (based on an assessment of risks and opportunities for the organisation).
- 1.4.2 An Interim Monitoring Statement, outlining progress against the Audit Plan at the mid-year point of 2018/19, is attached as **Appendix A**. During 2018/19, 42 assignments are programmed. At the mid-year point, 24 assignments are either complete or in progress. 10 assignments (24%) have been concluded and issued, with a further 14 (33%) ongoing or underway. Work has also been undertaken to finalise 7 assignments from 2017/18. Internal Audit has undertaken special investigations / management requests where required, in addition to supporting working groups in a programme assurance capacity. This will be included in the 2018/19 Annual Opinion on the Framework of Governance, Risk Management and Control.

1.4.3 The Strategic Audit Plan for 2018/19 will continue to be kept under review, and progress reported to the Audit Committee in March 2019 along with the Strategic Audit Plan for 2019/20. A full outturn on the 2018/19 Annual Audit Plan will be reported to the Audit Committee in May 2019.

1.5 Decision Options:

It is recommended that the Audit Committee notes the level of coverage set out in the Strategic Audit Plan Interim Monitoring Statement, attached as **Appendix A**.

There are no other options available in relation to this report.

1.6 Reasons for recommended option:

This recommendation will allow the Authority to operate in line with legislation, good practice and professional guidance.

1.7 Appendices:

Appendix A: Strategic Audit Plan 2018/19 Interim Monitoring Statement

1.8 Contact officers:

Kevin McDonald (Group Assurance Manager) Tel: 643 5738

1.9 Background information:

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, April 2017 (P) [Public Sector Internal Audit Standards](#)
- (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 (P)
- (c) Financial Regulations C.24 – C.35, Version 5a, September 2013 (P) [Financial Regulations](#)
- (d) Internal Audit Charter, November 2017 (P) [Internal Audit Terms of Reference](#)
- (e) Strategic Audit Plan 2018/19, March 2018 (P) [Strategic Audit Plan 2018/19](#)
- (f) Internal Audit Reports & Briefing Notes prepared during 2018/19 (C)
- (g) Corporate Strategic, Service Strategic and Operational Risk Registers (C)
- (h) The Accounts and Audit Regulations 2015, April 2015 (P) [Accounts and Audit Regulations 2015](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

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 examines the Authority's systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed.

There are no financial implications arising from the recommendations set out in this report.

2.2 Legal

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 and related Local Government Application Note require that the Chief Internal Auditor should report periodically to senior management and the board on Internal Audit matters, including "performance relating to its plan".

2.3 Consultation/community engagement

The Strategic Audit Plan 2018/19 was prepared following consultation with: the Chief Executive; Deputy Chief Executive; Head of Finance (Chief Finance Officer); all Heads of Service and Cabinet Member for Finance and Resources.

2.4 Human rights

There are no human rights issues arising from this report.

2.5 Equalities and diversity

There are no equality and diversity issues arising from this report.

2.6 Risk management

The risks associated with this report have been considered and discussed with the Senior Risk Advisor and will be managed in accordance with the North Tyneside Council risk process. The Strategic Audit Plan has been prepared following the assessment of risks facing the organisation, and those inherent in the areas proposed for review.

2.7 Crime and disorder

There are no specific crime and disorder issues arising from this report. The work of Internal Audit is a key strand in the Authority's counter-fraud arrangements, as set out in the Strategic Audit Plan.

2.8 Environment and sustainability

There are no environment and sustainability issues arising from this report.

Report author Allison Mitchell
 Kevin McDonald

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; responding to allegations of fraud (<i>see also proactive anti-fraud work in counter fraud & internal control and probity section below</i>); project assurance and assuring appropriate consideration has been given to internal control & governance issues when new systems are introduced.	Ongoing throughout the year – on target .
Programme Assurance	<ul style="list-style-type: none"> • 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 Senior Leadership Team on the Creating a Brighter Future programme.	Ongoing throughout the year – on target .

Audit and Assurance – Corporate and Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Corporate and Cross Cutting	<ul style="list-style-type: none"> • Pre Submission Review of Grant Claims • Annual Opinion 	<p>To undertake grant claim certification in respect of external funding regimes on behalf of the Council, to ensure that grant funding requirements have been met and grant claims are submitted in accordance with grant conditions, to maximise available grant income.</p> <p>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, Head of Finance (Section 151 Officer), Senior 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.</p>	<p>Complete.</p> <ul style="list-style-type: none"> • Troubled Families (April – November £0.118m) • Carbon Reduction Commitment Energy Efficiency Scheme (£0.249m) • Local Transport Plan (£3.66m) • Disabled Facilities Grant (£0.129m) • Cobalt Cycle Scheme (£0.084m) • Growth Hub Funding for NECA / LEP (£0.416m) <p>Annual Opinion for 2017/18 complete.</p> <p>Work in respect of 2018/19 Annual Opinion due to commence during Quarter 4.</p>

Audit and Assurance – Corporate and Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Corporate and Cross Cutting	<ul style="list-style-type: none"> • Follow up on Recommendations • Governance and value for Money Reviews 	<p>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> <p>To review whether appropriate internal controls exist within a sample of significant business arrangements within North Tyneside Council. Where it is possible to assess the economy, efficiency and effectiveness of specific aspects of these arrangements, this will also be undertaken. Areas to be reviewed under this heading in 2018/19 include:</p> <ul style="list-style-type: none"> • Risk Management arrangements • Ethical Governance (including controls regarding declarations of interest, and acceptance of offers of gifts and hospitality by both officers and elected members) • Exploring the use of technology-based audit techniques (for example, in income maximisation) • Construction Partner in-sourcing • Section 106 / Section 278 Arrangements • Corporate Health and Safety • Treasury Management arrangements • Direct Payments (and financial aspects of care provision) • Use of Waivers in procurement 	<p>Ongoing throughout the year – on target.</p> <p>2017/18 Work Completed: Business Continuity Management (Significant Assurance – 2 medium & 10 low priority recommendations.)</p> <p>Reviews of Ethical Governance, Treasury Management and Corporate Health and Safety underway.</p> <p>Planned reviews yet to commence:</p> <ul style="list-style-type: none"> • Risk Management arrangements • Exploring the use of technology-based audit techniques (for example, in income maximisation) • Construction Partner in-sourcing • Section 106 / Section 278 Arrangements • Direct Payments (and financial aspects of care provision) • Use of Waivers in procurement

Audit and Assurance – Service Area Specific

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Children, Young People and Learning	<ul style="list-style-type: none"> • Primary & First Schools, Middle Schools and Secondary Schools • Schools' Financial Value Standard (SFVS) 	<p>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 schools on a risk assessed basis.</p> <p>On behalf of the Head of Finance (Section 151 Officer), Internal Audit will co-ordinate Schools' Financial Value Standard submissions, for all of the Council's grant-maintained schools, and provide assurance to the Section 151 Officer relating to her annual report to the Department for Education.</p>	<p>Scheduled for the second half of the year.</p> <p>Annual report prepared for DfE deadline of 31 May 2018 – complete.</p> <p>Work in respect of 31 May 2019 DfE deadline due to commence during Quarter 3.</p>
Tyne Port Health Authority	<ul style="list-style-type: none"> • Tyne Port Health Authority 	<p>On behalf of North Tyneside Council, as the Accountable Body for the administration of Tyne Port Health Authority, to undertake the internal audit requirements associated with the annual Small Bodies Return for this entity. This will involve acting independently and on the basis of an assessment of risk, performing a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2018. To determine an appropriate level of internal audit coverage in accordance with the body's needs, and on the basis of findings in the areas examined to summarise conclusions and report these in an appropriate form to the body.</p>	<p>Complete.</p>

Audit and Assurance – ICT

Heading	Auditable Area	Description / Audit Objectives	Progress Update
ICT	<ul style="list-style-type: none"> • System 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 comply with good practice and all legal, statutory and regulatory body requirements, and meet 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 systems are effectively administered and supported; • All staff using the systems have been correctly trained to the level that will allow them to properly fulfil their duties; • The systems are continually available during working hours; • The systems provide complete and accurate management information; and • Upgrades to the systems are properly resourced and managed to meet clearly stated and agreed business objectives. <p>For 2018/19, specific ICT audit coverage will be prioritised in the following areas:</p> <ul style="list-style-type: none"> • Telephony (mobile and landline) • Payment Card Industry Data Security Standards (PCIDSS) Compliance • Network Management • Debtors (Ash) System Review • Office 365 & SharePoint • Liquid Logic System Review • Implementation of General Data Protection Regulation 	<p>Work Completed: Telephony (Limited Assurance – 4 medium & 25 low priority recommendations).</p> <p>PCI DSS (Limited Assurance – 4 medium and 4 low priority recommendations).</p> <p>Liquid Logic System review and Network Management are underway.</p> <p>Implementation of General Data Protection Regulation will commence in Quarter 3 and Debtors (Ash) System Review will commence in Quarter 4.</p> <p>Office 365 & SharePoint is now not expected to be implemented by the Authority until March 2019 and therefore the relevant system review has been reprogrammed to 2019/20. Our programme assurance work in respect of these systems has therefore continued, reflecting the changing risks associated with these systems.</p>

Audit and Assurance – ICT

ICT	<ul style="list-style-type: none"> Public Service Network (PSN) Compliance 	To undertake the annual independent review of the Authority's compliance with the Public Service Network Code of Connection, to support the Authority's submission to the Public Services Network Authority for accreditation.	Scheduled for the second half of the year.
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Counter Fraud and Internal Control & Probity

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Counter Fraud	<ul style="list-style-type: none"> 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.	Ongoing throughout the year – on target.
Internal Control & Probity	<ul style="list-style-type: none"> Core Financial Systems: <ul style="list-style-type: none"> - Business Rates; - Council Tax; - Payroll; - Creditor Payments; - Cash and Bank; - Debt and Income Management; - Housing Rent Assessment & Collection; - Housing & Council Tax Benefit 	<p>The core financial systems encompass the main ways in which the Authority 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, but on a cyclical basis a more detailed review will be undertaken on one income system and one expenditure system each year.</p> <p>For 2018/19, those systems prioritised for an in-depth review are:</p> <ul style="list-style-type: none"> Creditor Payments (including Accounts Payable, Purchase Card transactions, other payment means e.g. CHAPS, and Petty Cash) Debt and Income Management (including whether agreed pricing schedules are in existence, whether pre-payment methods of income collection are optimised, whether debts are invoiced promptly, write off and recovery procedures are appropriate and sufficient to deter debts from becoming 'bad'). 	<p>Scheduled for second half of the year.</p> <p>Work has been undertaken to complete the following 2017/18 audits:</p> <p>Payroll (Significant Assurance –9 low priority recommendations.)</p> <p>Creditors (Significant Assurance –2 medium priority recommendations.)</p> <p>Council Tax (Significant Assurance –2 medium & 1 low priority recommendations.)</p>

North Tyneside Council Report to Audit Committee Date: 21 November 2018

ITEM 9

Title: Key Outcomes from
Internal Audit reports
Issued between April 2018
and October 2018

Report from Service Area: Finance

Report Author: Allison Mitchell, Chief Internal Auditor (Tel: 643 5720)

Wards affected: All

PART 1

1.1 Purpose:

The purpose of this report is to advise the Audit Committee of key outcomes from Internal Audit reports issued between April 2018 and October 2018 (**Appendix A**).

1.2 Recommendation(s):

It is recommended that the Audit Committee:

- (a) considers the key findings from, good practice identified in, and management action taken in response to the Internal Audit reports issued, attached as **Appendix A**; and
- (b) notes the Chief Internal Auditor's opinion that the framework of governance, risk management and control is satisfactory overall at this stage in the year.

1.3 Council plan and policy framework

The work of Internal Audit and the Audit Committee covers all service responsibilities as identified within the Council Plan.

1.4 Information

Key Outcomes from Internal Audit Reports Issued Between April 2018 and October 2018

- 1.4.1 It is important that the Audit Committee receives regular updates on the key outcomes arising from Internal Audit's planned work. This is also emphasised in the Public Sector Internal Audit Standards (PSIAS), which state that "in addition to the annual report [*reported to the Audit Committee each May*], the Chief Internal Auditor should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the annual report".

- 1.4.2 The Terms of Reference for the Audit Committee state that it will consider the effectiveness of the Authority's control environment; and the Chief Internal Auditor's report and opinion in this regard. Reporting of key findings from Internal Audit reports issued at regular intervals allows the Audit Committee to be made aware of the Authority's governance arrangements on a timely basis during the year. It also enables the Audit Committee to develop an on-going awareness of the soundness of the framework of governance, risk management and control, to support the Chief Internal Auditor's annual report on this matter.
- 1.4.3 A summary of key outcomes from planned Internal Audit reports issued between April 2018 and October 2018, including areas of good practice identified and action taken to date by management in response to each audit, is attached as **Appendix A**. Based on the outcomes from audits issued to date, and management action undertaken in response to these, the Authority's framework of governance, risk management and control is considered to be satisfactory overall at this stage in the year (which is a positive outcome for our organisation).
- 1.4.4 Internal Audit has also supported a significant number of special investigations and management requests in this time period. Key themes arising from this work will be included in Internal Audit's annual report.
- 1.4.5 At the time of writing this report, a number of additional reports are at final clearance stage and will be issued imminently. These reports will be included in the next report to the Audit Committee. The outcomes at this stage would not change the Chief Internal Auditor's opinion that the Authority's framework of governance, risk management and control is satisfactory.

1.5 Decision Options:

It is recommended that the Audit Committee considers the summary of Internal Audit reports issued, attached as **Appendix A**, and the consequent evaluation of the Authority's framework of governance, risk management and control as satisfactory overall.

There are no other options available in relation to this report.

1.6 Reasons for recommended option:

This recommendation will allow the Authority to operate in line with legislation, good practice and professional guidance.

1.7 Appendices:

Appendix A: Key Outcomes from Internal Audit Reports Issued Between April 2018 and October 2018

1.8 Contact officers:

Kevin McDonald (Group Assurance Manager) Tel: 643 5738
Steven Close (Senior Auditor) Tel: 643 5734

1.9 Background information:

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, March 2017 (P) [PSIAS March 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 (P)
- (c) Financial Regulations C.24 – C.35, Version 5a, September 2013 (P) [Financial Regulations](#)
- (d) Internal Audit Charter, November 2017 (P)
- (e) Strategic Audit Plans 2017/18 and 2018/19, March 2017 and 2018 (P) [Strategic Audit Plan 2017-18 Appendix A](#)
[Strategic Audit Plan 2018-19 Appendix A](#)
- (f) Internal Audit Reports & Briefing Notes issued during 2018/19 (C)
- (g) Corporate Strategic, Service Strategic and Operational Risk Registers (C)
- (h) The Accounts and Audit Regulations 2015, April 2015 (P) [The Accounts and Audit Regulations 2015](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

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 examines the Authority's systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed.

There are no financial implications arising from the recommendations set out in this report.

2.2 Legal

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 guidance accompanying the legislation states that 'proper practices in relation to internal control' are those contained within the Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards require that the Chief Internal Auditor should make arrangements for interim reporting to the organisation in the course of the year.

2.3 Consultation/community engagement

All Internal Audit reviews were shared with and reported to the relevant audit client upon conclusion of each audit assignment, with actions agreed by management. Management comments on the summary of key outcomes from Internal Audit reports have been included in the report.

2.4 Human rights

There are no human rights issues arising from this report.

2.5 Equalities and diversity

There are no equality and diversity issues arising from this report.

2.6 Risk management

Risks have been considered and there are no risks identified directly arising from this report.

2.7 Crime and disorder

There are no specific crime and disorder issues arising from this report. The work of Internal Audit is a key strand in the Authority's counter-fraud arrangements, as set out in the Strategic Audit Plan.

2.8 Environment and sustainability

There are no environment and sustainability issues arising from this report.

Report authors Allison Mitchell
 Kevin McDonald
 Steven Close

Internal Audit Service

Key Outcomes from Internal Audit Reports Issued Between April 2018 and October 2018

November 2018



1 Introduction – the Framework of Governance, Risk Management and Control

- 1.1 Internal Audit is an independent and objective assurance function designed to add value and improve an organisation's operations. Under the Public Sector Internal Audit Standards (PSIAS), Internal Audit is required to help an organisation accomplish its objectives by "bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
- 1.2 It is important that the Audit Committee receives regular updates on key findings and governance themes from Internal Audit's work. This is also emphasised in the PSIAS which requires the Chief Internal Auditor to provide an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, and to report on emerging issues in year.
- 1.3 In our organisation, the Chief Internal Auditor's formal opinion is reported to the Audit Committee each May, timed to support preparation of the Authority's Annual Governance Statement. 'Opinion' in this context does not mean 'view', 'comment' or 'observation'; it means that Internal Audit must have performed sufficient, evidenced work to form a supportable conclusion about the activity it has examined.

2 Purpose of this Report

- 2.1 This report summarises the outcomes from Internal Audit reports which were finalised in consultation with management and issued in the seven month period April 2018 to October 2018. Reporting on this period allows management the opportunity to have implemented and embedded recommendations; and Internal Audit to have then reviewed this implementation and to form a judgement on whether the control issues identified have been satisfactorily addressed. Information has been provided on the level of assurance for each audit (described below), the number of recommendations made (classified according to priority), areas of good practice identified, and main findings. The progress made/action taken by management in respect of key issues identified from each audit has also been included. As discussed at previous meetings of the Audit Committee, Internal Audit has also followed up and evidence checked reported progress, on a sample basis weighted according to priority and materiality. In some cases, due to the target dates for implementation of recommendations, it is too early to report on action taken. In these cases, recommendations will be followed up in accordance with Internal Audit's agreed processes and reported to the May 2019 Audit Committee.
- 2.2 It is intended that, by providing regular reports on key outcomes from Internal Audit's work, this will enable the Audit Committee to develop an on-going awareness of the soundness of the framework of governance, risk management and control, in addition to receiving the Chief Internal Auditor's annual opinion on this matter each May.

3 Opinion on the Framework of Governance, Risk Management and Control (November 2018)

- 3.1 On the basis of Internal Audit work performed and described in this report, the report of the preceding period considered by the Audit Committee in May 2018, and work performed from the approved Strategic Audit Plans for 2017/18 and 2018/19, the Chief Internal Auditor's opinion is that the organisation's internal systems of governance, risk management and control are **satisfactory**. This is a positive opinion for the organisation.
- 3.2 In this report, details of seven audit opinions are presented. Of these, one (14%) was 'full assurance', four (57%) were 'significant assurance' and two (29%) were 'limited assurance' opinion classification. No 'critical priority' or 'high priority' recommendations were made. In addition to the seven formal audit reports issued in the period, Internal Audit prepared a briefing note for the Head of Health, Education, Care and Safeguarding providing a summary of Internal Audit findings in relation to a review of school websites that was undertaken to determine whether published content complied with the requirements of the School Information (England) (Amendment) Regulations 2016. At the time of writing, a number of additional audit reports are in the process of finalisation/issue to our audit clients. These reports will be included in the next report to the Audit Committee, but the findings do not change our opinion on the framework of governance, risk management and control at this stage in the year.

4 Opinion Framework

- 4.1 A framework of opinion classifications is used in Internal Audit reporting. The framework applies an overall assurance judgement to each system audited, as defined below.

Full Assurance	The system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
Significant Assurance	There is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk in some of the areas reviewed.
Limited Assurance	Weaknesses in the design of, or regular non-compliance with, key controls put the achievement of the organisation's objectives at risk in some or all of the areas reviewed.
No Assurance	Significant weaknesses in the design of, or consistent non-compliance with, key controls could result (or have resulted) in failure to achieve the organisation's objectives in the areas reviewed.

- 4.2 The opinions given to audits issued during this period are shown in **Section 5**.

4.3 In addition to the overall opinion given on every internal audit, individual recommendations within each report are classified as critical, high, medium or low priority. This prioritisation is designed to assist management in assessing the importance of each recommendation. The definitions of these priority classifications are set out in the following table:

Priority	Description
1* Critical	Action considered imperative to ensure the organisation is not exposed to unacceptable risks.
1 High / Fundamental	Action that is considered imperative to ensure that the service area / establishment is not exposed to high risks.
2 Medium / Significant	Action that is considered necessary to avoid exposure to considerable risks.
3 Low / Less Significant	Action that is considered desirable or best practice and would result in enhanced control or better value for money.

4.4 Prioritisation of Internal Audit recommendations is controlled through Internal Audit's quality control and file review processes.

4.5 In addition to performing internal audits of existing systems within the Authority and responding to queries on the operation of such systems, Internal Audit has a significant and increasing role in advising on new systems within the Authority. Programme assurance and project boards supported by Internal Audit are shown below. Whilst time spent on such assurance work reduces the number of available audit days, it is considered an efficient use of Internal Audit resource, in that assurance is obtained that effective controls are incorporated into new systems from the outset. In turn, this minimises the risk of weaknesses in systems and strengthens the control environment. Internal Audit has supported the following Project Boards (in a programme assurance role) and Working Groups during the period under review:

- Information Security Working Group
- ICT Performance and Prioritisation Board
- Sundry Debtors System Replacement
- Social Care Case Management System Replacement
- Office 365 & SharePoint (collaborative tooling solution)
- Troubled Families Stakeholder Group

4.6 Internal Audit has also supported a significant number of special investigations and management requests in this time period. Key themes arising from this work will be included in Internal Audit's annual report.

IA/AHM/KM/SC
November 2018

5 Main Outcomes – Audit Reports Issued During the Period April 2018 to October 2018

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
1	Business Continuity Management	To review the arrangements in place for business continuity management across the Authority and its major strategic partners; and to assess the ability to maintain continuity in the event that a business disruption was to occur.	Significant	0	0	2	10
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
<p>All plans were signed off by the appropriate Head of Service or equivalent in the business partners.</p> <p>Plan authors advised that manual documentation, should it be required, exists and regular checks are in place to ensure stock levels are appropriate.</p> <p>The Emergency Response Leadership Group are provided with regular updates regarding the status of BCPs across the Authority, how many require a review, how many critical activities exist and any actions that are required.</p>		<p>Two medium priority recommendations were made, relating to:</p> <ul style="list-style-type: none"> Business Impact Analysis (BIAs) and Business Continuity Plans (BCPs) are not subject to effective challenge, which may reduce their effectiveness if an incident was to occur. A review of electronic training registers identified five BCPs that had not been tested since implementation of the new training programme in 2015. In addition, there were twenty BCPs that had been tested during Year One (2015) but not in Year Two (2016). 		<p>Management have advised that these issues have been discussed by the Emergency Response Leadership Group which has agreed a rolling programme of review to provide an effective challenge to the content of BIAs and BCPs. A recruitment process is underway, following which a revised approach will be developed and deployed. Following the recruitment process there will be a review of the training and testing programme which will be refreshed and re-launched, with a revised target date of 31/03/2019.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
2	Rent Assessment and Collection	<p>To determine whether housing rent and service charges are accurately updated to reflect annual changes in rent levels in accordance with Government formula and Council agreement.</p> <p>To examine and evaluate the controls in place within the organisation to mitigate against the risks of reduced income to the Housing Revenue Account (HRA) from Government plans to reduce social housing rents, and any impact of Welfare Reform on rent collection levels.</p>	Full	0	0	0	0
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
Effective systems and procedures are in operation within the Housing Finance team (Engie) when updating rent charges; including running the new rent levels in the Northgate Housing test system prior to running on the live system and sample checking properties, to ensure new rent levels have been applied correctly.		Based upon the areas tested and sample selected there were no matters arising.		Not applicable – this audit received a Full Assurance opinion and no recommendations were made.			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
3	Council Tax	To determine whether the systems and procedures in operation for Council Tax collection are functioning satisfactorily, are in accordance with legislation and the stated priorities within the Council Plan.	Significant	0	0	2	1
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
Audit testing identified that, for the accounts examined, the Northgate system was updated fully and promptly following any amendments or actions such as valuation listing amendments, refunds and debt recovery.		<p>Two medium priority recommendations were made, relating to:</p> <ul style="list-style-type: none"> Pro-active methods to identify expired probate exemptions are not currently carried out by the Revenues Section. There is a risk that Council Tax income may not be collected or payments delayed in respect of properties which have been subject to probate exemptions. Systems used to collect statistical performance data had not been updated resulting in out of date figures being used in performance calculations. There is a risk that service quality may not be correctly monitored, and value for money may not be achieved. 		<p>Management have confirmed that both medium priority recommendations have been implemented:</p> <ul style="list-style-type: none"> A data matching exercise using Land Registry and Probate Office records was undertaken in June 2018 and will be repeated every 6 months to ensure that properties no longer subject to probate exemptions are recorded correctly in the Northgate system. The Client Manager Revenues, Benefits and Customer Services reviewed the performance monitoring spreadsheet in May 2018 to ensure data and formulae were correct. The review will be an annual process with the next review scheduled for April 2019 <p><i>Internal Audit selected this service area for evidence checking and was able to confirm that both medium priority recommendations self-certified as implemented have been implemented.</i></p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
4	Telephony	To appraise and evaluate the administration and use of telephony systems in order to determine whether adequate controls and procedures are in place that will safeguard the Authority's assets and control costs associated with the use of telephony.	Limited	0	0	4	25
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
<p>National Class of Service (NCoS) 5 is the standard setting for the majority of landlines and allows internal, external, mobile and national calls. NCoS 7 allows access to international calls but is only applied to two phones used by the ICT Technology Officer responsible for landlines and two conference phones. Requests for temporary increases in NCoS to allow international dialling are recorded in ICT's service desk system and are time limited.</p> <p>Access to high cost premium rate numbers commencing 09 has been barred globally on Featurenet, Voice over IP (VoIP) and mobile telephones.</p>		<ul style="list-style-type: none"> Weaknesses were identified in the configuration, roll out and support for Mobile Device Management (MDM) software installed on laptops, smartphones and tablets. Despite reducing its telephony costs over a period of years the organisation is not maximising value for money from its telephony assets. An unnecessary level of resource is required to process multiple BT invoices primarily caused by a proliferation of stand-alone lines that are not managed by ICT and which result in avoidable costs due to late payment charges; paper invoices; and invoice processing fee payments. There are a significant number of Featurenet lines and mobile devices with nil or minimal usage that may not be required. Detailed call data for both landlines and mobiles is readily available from user friendly tools but is not being utilised to the Authority's advantage. Current telephony policies and the deduction at source scheme for personal use are not fit for purpose. 		<p>Due to the target dates for implementation of recommendations, it is too early to report on action taken. Recommendations will be followed up in accordance with Internal Audit's agreed processes.</p> <p>All four medium priority recommendations relate to weaknesses with the Mobile Iron MDM software currently in use to protect the Authority's mobile estate. Mobile Iron is scheduled to be replaced by comparable software (Intune) available as part of the Office 365 roll out which is scheduled to complete by March 2019. This will result in a more consistent approach to the management of mobile devices and increase the security applied to devices.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
5	Creditors	To ascertain whether systems and procedures in operation for the payment of creditors are functioning satisfactorily, are in accordance with legislation and stated priorities within the Council Plan.	Significant	0	0	2	6
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
The main creditor system procedures were found to be operating satisfactorily overall. Reviews of management information and monitoring reports to help ensure that adequate safeguards are in place to prevent and detect fraud, irregularity or error were found to be operating well.		<p>Two medium priority recommendations were made, relating to:</p> <ul style="list-style-type: none"> • There is no authorisation of a significant number of agency payments processed via the De Poel system. The total unapproved spend from April 2017 until January 2018 was £864k. • Independent verification and approval of Purchase Card expenditure is not being completed in accordance with the provisions of the scheme for a significant number of transactions. The total spend not approved on the system in 2017/18 was £211k which represented 49% of the total expenditure incurred. 		<p>Management have confirmed that 1 of the medium priority recommendations (relating to Purchase Card expenditure) has been implemented. The target date for implementation of the second medium priority recommendation (relating to agency payments) has not yet been reached and it is therefore too early to report on action taken. The recommendation will be followed up in accordance with Internal Audit's agreed processes, however, an initial review has identified that:</p> <p>Some of the issues relating to the authorisation of agency payments may be due to users not understanding what the system can provide and can be addressed by providing users with additional guidance. Monthly reports generated to identify auto approvals could be better utilised to educate approvers in the correct procedures to be applied. Target date for implementation is April 2019 by when new contract arrangements are expected to be in place.</p> <p><i>Internal Audit selected this service area for evidence checking and was able to confirm that the medium priority recommendation self-certified as implemented has been implemented.</i></p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
6	Payment Card Industry Data Security Standards (PCI DSS)	To determine whether systems and procedures in operation for obtaining, recording, transmitting and retaining cardholder data are functioning satisfactorily and are in accordance with legislation and Council policy and comply with the PCI DSS.	Limited	0	0	4	4
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
Improvements were identified during the audit relating to ensuring that network infrastructure was protected against the latest security threats. Scheduled 'patching windows' have now been introduced to ensure timely roll out of software updates to related infrastructure.		<ul style="list-style-type: none"> The Authority does not have a central resource responsible for monitoring service areas and ensuring processing of card payments meets the requirements of PCI DSS. Governance arrangements require strengthening to avoid financial and reputational risks. Conflicting advice provided by two third-party organisations has raised concerns over the Authority's compliance with PCI DSS which need to be resolved to avoid financial and reputational risks. Although Security Information Event and Management (SIEM) logs/alerts are subject to review, this may not occur until the following day creating the risk that an attack on the corporate network may not be identified in a timely manner. 		<p>Management have confirmed that 1 of the medium priority recommendations (relating to a central resource) has been implemented. The target dates for implementation of the remaining three medium priority recommendations have not yet been reached and it is therefore too early to report on action taken. The recommendations will be followed up in accordance with Internal Audit's agreed processes.</p> <p><i>Internal Audit selected this service area for evidence checking and was able to confirm that the medium priority recommendation self-certified as implemented has been implemented. As part of a restructure of the Finance service, responsibility for overall governance of PCI DSS has been incorporated within a specific role.</i></p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
7	Payroll	To evaluate the controls within the payroll system designed to prevent and/or detect fraud, irregularity or error, and to ensure that transactions are processed in accordance with Council policy, Financial Regulations, legislation and the requirements of external bodies such as HM Revenues and Customs.	Significant	0	0	0	9
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
<p>System Support, Employee Services and Human Resources have produced procedural notes which provide advice and guidance to staff on how to perform various payroll system tasks. These documents are a good training tool and reference guide for officers, particularly those new to completing tasks.</p> <p>Payment/invoice entry sheets are automatically populated with the total voluntary deductions to be paid through Accounts Payable (AP) / Bacs Payment Schemes Limited (Bacs) from the deduction report, saving Payroll staff time when processing the payment run reconciliation.</p>		<p>Low priority recommendations were made in relation to:</p> <ul style="list-style-type: none"> As part of their start of year verification process, Employee Services analyse reports to ensure pay increments are correct. The 2017 report identified several employees where the system had incorrectly elevated their pay by two increments instead of one. The controls in place to manage market supplements require review. Information requested by Internal Audit to support an authorisation of a market supplement payment could not be provided by Human Resources. In another instance, an overpayment had occurred due to miscommunication between HR and Employee Services which resulted in an employee being awarded a greater market supplement than had been approved. 		<p>Due to the target dates for implementation of the majority of recommendations, it is too early to report on action taken. Recommendations will be followed up in accordance with Internal Audit's agreed processes, however, only Low priority recommendations were made.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
8	School Website Review – Briefing Note	To determine whether schools are publishing required information as set out in the School Information (England) (Amendment) Regulations 2016.	Not Applicable	-	-	-	-
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
There were no specific areas of good practice identified by this review.		<p>The review identified anomalies of varying degrees of importance in each of the websites examined with the most significant summarised below:</p> <ul style="list-style-type: none"> • For all schools tested a Special Educational Needs (SEN) Information Report had been published. However, reports did not contain sufficient information as defined within Regulation 51 and Schedule 1 of the Special Educational Needs and Disability Regulations 2014; • Information explaining how applications for school admissions are managed and contact information was not provided within four of the ten websites tested; • Three of the ten websites tested did not contain Key Stage 2 or 4 exam and assessment results; • Four of the ten websites tested did not have links to Performance Table information; and • Curriculum information was incomplete for one of the ten school websites tested. 		Internal Audit will feedback findings to the schools reviewed and have recommended that discussions between the Authority and all schools take place to highlight these issues in advance of Ofsted inspections.			

6 Evidence Checking

- 6.1 Internal Audit reports issued during the period April 2018 to October 2018 included fourteen medium priority recommendations, there were no critical or high priority recommendations in the period under review. In respect of these fourteen recommendations, four have been self-certified by management as fully implemented, eight have not reached their target dates and revised target dates have been agreed for the remaining two recommendations. All medium priority recommendations in the audits in scope were selected for evidence checking.
- 6.2 Details of those recommendations subject to evidence checking by Internal Audit are detailed in section 5 of this report, above. Summary information regarding the sample of evidence checking undertaken is provided in the table below.

Summary of results of evidence checking by Internal Audit, of medium priority recommendations self-certified as implemented by management as at November 2018.

Priority	Total Number of Recommendations Evidence Checked	Number confirmed as Implemented		Number Requiring Additional Action	
		No.	%	No.	%
Medium	4	4	100%	0	0%
Total	4	4	100%	0	0%

- 6.3 Further work on how best to measure the implementation of agreed recommendations is scheduled to take place in quarter 4 of 2018/19 and will be reported to Audit Committee in due course.