



North Tyneside Council

Audit Committee

8 November 2019

Wednesday 20 November 2019 Room 0.01, Quadrant East, The Silverlink North, Cobalt Business Park, North Tyneside commencing at 6.00pm.

Agenda Item	Page
1. Apologies for Absence	
To receive apologies for absence from the meeting.	
2. Declarations of Interest and Dispensations	
You are invited to declare any registerable or non-registerable interests in matters appearing on the agenda, and the nature of that interest. You are also invited to disclose any dispensation in relation to any registerable or non-registerable interests that have been granted in respect of any matters appearing on the agenda.	
You are also requested to complete the Declarations of Interests card available at the meeting and return it to the Democratic Support Officer before leaving the meeting.	
3. Minutes	3.
To confirm the minutes of the meeting held on 24 July 2019.	

Members of the public are welcome to attend this meeting and receive information about it.

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4. Annual Audit Letter	6
To give consideration to the audit completion report for the year ended 31 March 2019.	
5. Annual Governance Statement Update (to follow)	
To give consideration to a report which explains how the Authority reviews the effectiveness of its governance arrangements, details the outcome of the mid year review and considers the proposed method of compiling the evidence for the 2019/20 Annual Governance Statement.	
6. Annual Statement of Accounts 2019/20 (to follow)	
To give consideration to a report which updates the Audit Committee on the process made in respect of the closure of the 2019/20 accounts.	
7. Internal Audit Plan 2019/20 Interim Monitoring Statement	30
To consider the interim monitoring statement in respect of the Internal Audit Plan 2019/20.	
8. Key Outcomes from Internal Audit Reports issued between May 2019 and October 2019	43
To consider a report which sets out the key outcomes of internal audit reports which have been issued between May and October 2019.	
9. Review of Audit Committee Arrangements (to follow)	
To give consideration to an update on the progress being made in respect of the review of the effectiveness of the Audit Committee.	

Members of the Audit Committee:-

Mr K Robinson (Chair)

Mr M Wilkinson (Deputy Chair)

Councillor D Cox

Councillor N Craven

Councillor A McMullen

Councillor J Mole

Councillor M Rankin

Councillor P Richardson

Councillor J Wallace

Audit Committee

24 July 2019

Present: Mr K Robinson (Chair)
Mr M Wilkinson
Councillors D Cox, A McMullen, J Mole, M Rankin,
P Richardson and J Wallace.

AC13/07/19 Apologies

An apology for absence was submitted on behalf of Councillor N Craven.

AC14/07/19 Substitute Members

There were no substitute members reported.

AC15/07/19 Declarations of Interest and Dispensations

There were no declarations of interest reported.

AC16/07/19 Minutes

Resolved that the minutes of the meeting held on the 29 May 2019 be confirmed as a correct record and be signed by the Chair.

AC17/07/19 2018/19 Annual Financial Report

Consideration was given to a report which detailed the current position in relation to the external audit of the 2018/19 financial statements. It was explained that this was the first year that the audit had been undertaken by Ernst and Young (EY) as the Authority's external auditors.

The report explained that the audit of the 2018/19 accounts had been largely completed and it was anticipated that an unqualified audit opinion would be issued. The Audit Results Report produced by EY showed that no material errors had been identified in the financial statements however the following adjustments to the draft Annual Financial Report had been identified:

- The removal of the trust schools assets from the Authority's balance sheet as a prior period adjustment in 2017/18;
- The revaluation of the IAS19 pension liabilities for the Local Government Pension Scheme as a result of the recent "McCloud" judgment in relation to unlawful age discrimination;
- The revision of the valuation of Newcastle International Airport.

It was also explained that a number of non-material disclosure errors which had been identified during the audit had been corrected and a number of internal control issues had been discussed with the external auditors.

Reference was made to the late circulation of the report and how this had impacted on the ability of the members of the Committee to give proper consideration to the contents. It was explained that due to the tight timetable and the complexity of the organisation it was not possible to get the report produced and circulated to members any earlier than it had been. Clarification was sought on whether it would be possible to circulate an early draft version of the report on the understanding that further amendments would be required and these would be reported to members at the meeting. It was suggested that as the majority of the report would not change this would provide members with more opportunity of considering the main contents of the report. It was explained that due to the need to ensure that the report presented an accurate picture of the financial situation it was not considered possible to get the report presented any earlier. It was suggested that further consideration be given to the timing of the July meeting of the Committee to see if this meeting could be held nearer the deadline for the publication of the statement of accounts which would then allow more time for the report to be circulated in advance of the meeting.

Resolved that (1) The matters raised in the Audit Results Report be noted;
(2) The audit findings set out in the Audit Results Report be noted;
(3) The internal control recommendations and management responses set out in the Audit Results Report be noted;
(4) The adjustments set out in the Audit Results Report be noted;
(5) The Value for Money conclusion set out in the Audit Results Report be noted; and
(6) The draft Letter of Representation be noted.

AC18/07/19 Review of Audit Committee Arrangements

Consideration was given to a report on the good practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018 which covered the role, functions and operation of Audit Committee's in Local Government. It was explained that an initial assessment of the Audit Committee arrangements in North Tyneside demonstrated that the current arrangements reflected a number of good practice areas as recommended by the CIPFA guidance.

It was also explained that there were a number of areas where further development was required to reflect the CIPFA good practice including:

- Developing arrangements for regular reporting from the Committee to those charged with the Authority's governance;
- Updating the terms of reference for the Audit Committee;
- The development of a structured programme of member training;
- Engaging with a wide range of leaders and managers including the discussion of audit findings, risks and action plans with the responsible officers for the implementation of audit recommendations.

It was explained that the above reflected the findings of the Chair's review of the Audit Committee's arrangements which had previously been reported to the Committee on 30 March 2016 (Minute AC41/03/16 refers).

It was suggested that the Head of Resources and the Chair, supported by the Chief Internal Auditor, develop an action plan, based on the above to be submitted to the November 2019 meeting of the Committee. It was also suggested that the views of the members of the Committee be sought and included in the report.

Resolved that (1) The initial self-sessment of the Audit Committee arrangements against the latest CIPFA good practice guidance be endorsed;

(2) It be noted that CIPFA has published a revised position statement on Audit Committees in Local Authorities and that changes are likely to be needed to the current terms of reference of the Audit Committee to ensure that all aspects of CIPFA's good practice can be reflected;

(3) The detailed review undertaken by the Chair of the Audit Committee in 2015/16 and the findings of that review be noted;

(4) The Head of Resources, supported by the Chief Internal Auditor, work with the Chair of the Audit Committee to prepare a 2019/20 plan of action to ensure that the Audit Committee arrangements reflect, as far as practicable, CIPFA's good guidance practice and the relevant findings of the Chair of Audit Committee's 2015/16 review; and

(5) The report and action plan detailed above form the first phase of the 2019/20 review of the effectiveness of the Audit Committee and a further report be brought to the November 2019 meeting of the Committee containing the views of the current members of the Audit Committee.

North Tyneside Council

Annual Audit Letter for the year
ended 31 March 2019

August 2019



Building a better
working world

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Focused on Your
Future



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Audit Fees



As part of the Auditor Engagement process, we have agreed with you the respective responsibilities of auditors and audited bodies and these are contained within our engagement letter.

The Terms and Conditions of our appointment are contained within the Engagement Letter and set out any additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature. This Annual Audit Letter is prepared in the context of the Engagement Letter. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary

Executive Summary

We are required to issue an Annual Audit Letter to North Tyneside Council (“the Council”) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the financial statements.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Annual Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA)	We have not yet completed our procedures in relation to WGA. These procedures will be completed before the deadline of 13 September 2019.

Executive Summary (continued)

As a result of the areas on the previous page, we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit	Our Audit Results Report for the Council was presented to the Audit Committee on 24 July 2019 and to the meeting of the Council on 25 July 2019.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice	We have not as yet issued our audit completion certificate. We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.



Stephen Reid
Partner
For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit of the Council in our 2018/19 Audit Results Report to the 24 July 2019 Audit Committee and the meeting of the Council on 25 July 2019, who represent those charged with governance. As a result, we do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work was undertaken in accordance with the Audit Planning Report that we issued in March 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2018/19 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the Annual Governance Statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. We have not yet completed our procedures in relation to WGA. These procedures will be completed before the deadline of 13 September 2019.

Responsibilities of the Council

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office, and issued an unqualified audit report on the Council's Statement of Accounts on 31 July 2019.

Our detailed findings relating to the Council's Statement of Accounts audit were reported to the 24 July 2019 Audit Committee and the meeting of the Council on 25 July 2019.

The key issues identified as part of our audit were as follows:

Significant Risks

Risk of fraud in revenue and expenditure recognition

As identified in auditing standards, there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Local authorities have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services. Achievement of budget is critical to minimising the impact and usage of the Council's usable reserves and provides a basis for the following year's budget. Any deficit outturn against the budget is therefore not a desirable outcome for the Council and management, and therefore this desire to achieve budget increases the risk that the financial statements may be materially misstated.

Conclusion

We performed the following testing in relation to this risk:

- We reviewed and tested revenue and expenditure recognition policies, including consideration of the recognition of grant income;
- We reviewed, discussed with management, and tested (where appropriate) any accounting estimates on revenue or expenditure recognition, such as manual debtors and expenditure accruals, for evidence of bias;
- We tested grant income with terms and conditions attached to ensure that where management judgements had been made relating to the recognition of the income, all terms and conditions had been achieved;
- We tested capital expenditure incurred during the year to ensure that it was correctly classified as capital expenditure and should not instead have been included as revenue; and
- We reviewed a sample of transactions recorded in the ledger and payments made from the bank account post year-end and confirmed that the associated income and expenditure has been recorded in the correct period.

Our testing did not identify any material misstatements relating to revenue and expenditure recognition.



Financial Statement Audit (continued)

Significant Risks	Conclusion
<p>Misstatements due to fraud or error</p> <p>As identified in auditing standards, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We performed the following testing in relation to this risk:</p> <ul style="list-style-type: none"> • We identified fraud risks during the planning stage of our audit; • We developed our understanding of the oversight given by those charged with governance over management's processes over fraud; • We considered the effectiveness of management's controls designed to address the risk of fraud; • We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • We reviewed accounting estimates for evidence of management bias (as noted above relating to revenue and expenditure recognition); and • We evaluated the business rationale for any significant unusual transactions. <p>Our testing did not identify any material misstatements due to fraud or error in the Council's financial statements.</p>
<p>Valuation of land and buildings</p> <p>The value of land and buildings represents a significant balance in the Council's financial statements and is subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgements in respect of key assumptions and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We performed the following testing in relation to this risk:</p> <ul style="list-style-type: none"> • We considered the work performed by the Council's valuer, Capita, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • We sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); • We engaged our internal valuers to review the valuation of the Spanish City and Swan Hunter sites; • We considered the annual cycle of valuations to ensure that assets have been valued within a five year rolling programme as required by the CIPFA Code; • We reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base was not materially misstated; • We considered changes to useful economic lives as a result of the most recent valuation; and • We tested accounting entries to ensure they have been correctly processed in the financial statements. <p>Our testing did not identify any material misstatements relating to the valuation of land and buildings in the Council's financial statements.</p>

Financial Statement Audit (continued)

Other Key Findings	Conclusion
<p>Implementation of new accounting standards</p> <p>The CIPFA Code of Practice adopted two new accounting standards for 2018/19:</p> <p>IFRS 9 – financial instruments. This new accounting standard changed:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured; • How the impairment of financial assets is calculated; and • The disclosure requirements for financial assets. <p>IFRS 15 – revenue from contracts with customers. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p>	<p>We performed the following testing in relation to this risk:</p> <ul style="list-style-type: none"> • We reviewed the Council’s assessment of the expected impact of the standards on the financial statements; • We reviewed the accounting policies amended as part of the implementation to ensure compliance with the requirements of the CIPFA Code of Practice; and • We reviewed the additional disclosure requirements to ensure that they have been included in the financial statements. <p>During our review of IFRS 9 we identified that the valuation of the Council’s shares in Newcastle International Airport Limited (NIAL) was materially understated. This valuation was provided by an external expert to the Council. An amendment to the valuation was therefore made which resulted in a £5.2m increase in the valuation between that presented in the draft financial statements and the final valuation.</p>
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and accounting standards (IAS 19) require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Tyne and Wear Pension Fund.</p> <p>The Council’s pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council’s Balance Sheet. The information disclosed is based on the IAS 19 report issued by the Council’s actuary.</p> <p>Accounting for this scheme involves significant estimation and judgement, and therefore management engages an actuary to undertake the calculations on their behalf. Auditing standards require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We performed the following testing in relation to this risk:</p> <ul style="list-style-type: none"> • We liaised with the auditor for Tyne and Wear Fund, to obtain assurances over the information supplied to the actuary in relation to the Council; • We assessed the work of the Pension Fund actuary including the assumptions they used by relying on the work of the Consulting Actuaries commissioned by PSAA for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; • We liaised with the Council and our actuarial team to assess reasonableness of additional pension liabilities recognised in the accounts this year, arising as a result of the McCloud judgement and Guaranteed Minimum Pension equalisation; and • We reviewed and tested the accounting entries and disclosures made within the Council’s financial statements in relation to IAS19. <p>During the audit period, a material adjustment relating to the McCloud judgement was identified, which has impacted upon all Local Government Pension Scheme Scheduled Bodies. The Council instructed their actuary to revisit the pension liability values previously provided to include the impact of both the McCloud judgement and Guaranteed Minimum Pension. The revised pension values provided by the actuary saw the pension liability increase by £28 million between the draft and final financial statements.</p>

Financial Statement Audit (continued)

Other Key Findings	Conclusion
<p>Opening Balances</p> <p>2018/19 is the first year that we have completed the audit of the Council's financial statements, and as such the requirements of ISA (UK) 510 apply.</p> <p>The basic objectives of an initial audit are similar to those of any audit engagement. However, when performing an initial audit, we report on the current period's assets, liabilities and reserves, which are dependent upon the appropriateness of the opening balances.</p> <p>Therefore, we are required to perform additional procedures in order to gain assurance that the opening balances were free from material misstatement. These procedures cover all balance sheet items, including for example key judgement areas and Private Finance Initiative (PFI) assets and liabilities.</p>	<p>We performed the following procedures in this area:</p> <ul style="list-style-type: none">• Reviewed the work of the predecessor auditor, to identify any issues identified that may impact upon the opening balances;• Reviewed the work of the predecessor auditor to ensure the audit has been completed to an appropriate standard to allow us to place reliance on their audit opinion; and• Substantively tested all opening balances to ensure that they agree both to the prior year audited financial statements and closing trial balance. <p>We also reviewed significant judgements that have been taken in preparing the financial statements in previous years. As part of this review we assessed how the Council accounted for Schools on their Balance Sheet and how the Council accounted for the prepayment of pension deficit funding payments made in 2017/18.</p> <p>Accounting for Schools</p> <p>Following our review we identified that Foundation Schools were included on the Council's Balance Sheet. However, legal ownership of these assets transferred to the School Trustee's in previous years. Under the CIPFA Code this does not automatically mean that the assets should be removed from the Council's Balance Sheet. Instead, if it can be demonstrated that the Council still has "control" over the assets then it may be acceptable to include them on the Council's Balance Sheet.</p> <p>After detailed discussions with management it was identified that the School Trustees' now make all significant decisions regarding the School assets and as a result it was not possible for the Council to demonstrate that they had "control" over these assets.</p> <p>It was therefore agreed that these assets should be removed from the Council's Balance Sheet and a prior period adjustment was made to reflect the fact that a similar situation was also in place in previous years. This adjustment reduced the Property, Plant and Equipment Net Book Value by £336 million between the draft and final financial statements in 2018/19. The adjustment in 2017/18 reduced the Net Book Value of Property, Plant and Equipment by £281 million.</p> <p>Pension Prepayment</p> <p>In 2017/18, the Council entered into an arrangement with Tyne and Wear Pension Fund whereby they prepaid the pension deficit funding payments for 2018/19 and 2019/20. The total value of this prepayment was £17.6 million. On review of the accounting for this transaction we identified that no prepayment had been recognised in debtors in either the 2017/18 or 2018/19 financial statements. Instead, the Council included the prepayment in their pension liability.</p> <p>This was discussed with management who agreed that a prepayment should be recognised in both 2017/18 and 2018/19 and therefore both prepayments and the pension liability were increased by £17.6 million in 2017/18 and £8.8 million in 2018/19.</p>

Financial Statement Audit (continued)

Other Key Findings	Conclusion
<p>Group Financial Statements</p> <p>In previous years, the Council has not produced group financial statements on grounds of materiality. However, due to increasing activity in the Council's subsidiaries, we considered that it was important for the Council to reassess their group boundary and the need to potentially produce group financial statements in 2018/19.</p>	<p>We reviewed the detailed quantitative assessment, which focussed on the values that would be included in group financial statements if they were prepared, as well as the qualitative assessment, which focussed on the other factors, such as whether the Council is exposed to any commercial risk through its involvement with group entities. This review included:</p> <ul style="list-style-type: none"> • Agreeing all values included in the quantitative assessment back to audited financial statements; • Assessing the qualitative assessment based on our knowledge of the Council and the wider sector; and • Detailed review of the CIPFA Group Accounting guidance to ensure that all required elements had been considered. <p>Following our review we were satisfied that group financial statements are not required for the Council for 2018/19. However, this assessment will be required again in 2019/20.</p>

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £6.2 million (2017/18: £6.6 million), which is 2% of gross expenditure on the provision of services reported in the financial statements.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.29 million (2017/18: £0.198 million).</p>

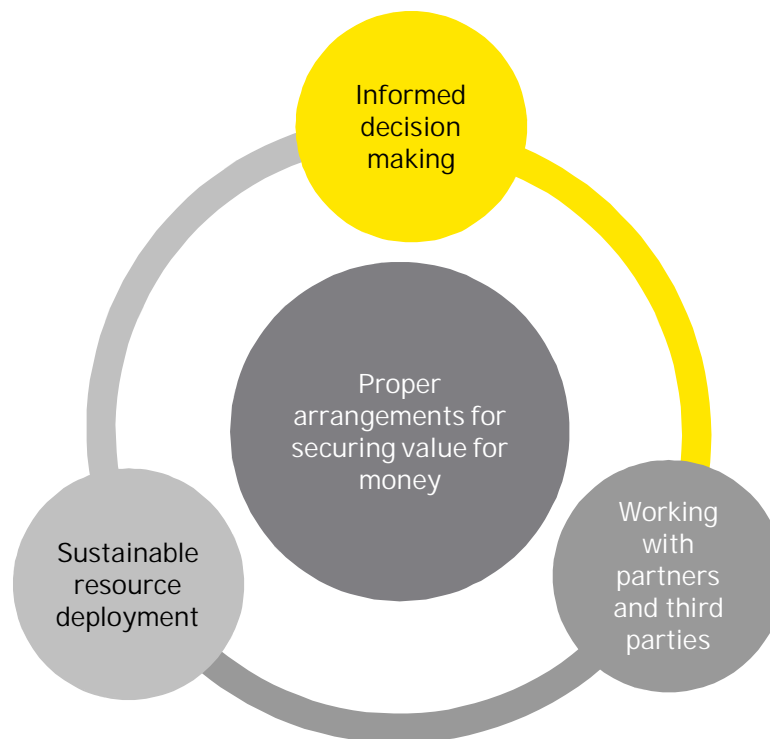


04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We identified one significant risk in relation to these arrangements. The table on the following page presents the findings of our work in response to the risk identified. We have performed the procedures outlined in our Audit Plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work. The table below presents the findings of our work in response to the risk areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Financial Sustainability</p> <p>The Council continues to operate in a challenging financial environment. The main risks to the Council’s finances are reductions in central government funding, increased reliance on locally raised taxes, increased budget pressures and demand for services.</p> <p>At the end of November 2018, the Council was forecasting a pressure against budget of £3.5 million. This pressure was largely due to significant overspends in Health, Education, Care and Safeguarding. In addition, over the next four years the Council estimates it is required to make £26.9 million of savings. There is therefore significant pressure on the Council’s finances over the coming years.</p>	<p>Deploy resources in a sustainable manner</p>	<p>We completed the following work in this area:</p> <ul style="list-style-type: none"> • We selected a sample of savings plans and assessed their reasonableness, including testing of the assumptions used; • We discussed the specific plans in place for Health, Education, Care and Safeguarding to understand how the Council plans to control the overspends in this area; • We reviewed the level of reserves to ensure they are sufficient to cover the Council’s assessment of the minimum required to provide its statutory services; and • We reviewed the Medium Term Financial Plan (MTFP) and tested the reasonableness of a sample of the assumptions used. <p>Our testing identified that the Council delivered an underspend of £1.03 million against budget in 2018/19. However, during the year the Council did not achieve all of its proposed in year savings of £11.2 million and has therefore rolled forward some of this savings target into 2019/20.</p> <p>The Council has created detailed savings plans for 2019/20 to ensure that they can achieve a balanced outturn. We have reviewed these savings plans to ensure that they are reasonable and we are satisfied that the assumptions used are appropriate and that the Council has a system for monitoring and challenging the savings delivery plan in 2019/20. We have also reviewed the MTFP and are satisfied that the Council has been prudent in its use of assumptions, in particular around income streams.</p> <p>During June 2019, the Council received a Corporate Peer Challenge Review. This identified no fundamental weaknesses in the Council’s financial sustainability. However, some recommendations were made in relation to linking the strategy and the MTFP better in future years. Based on the testing performed we concluded that there is no impact upon our VFM conclusion from this risk.</p>



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts (WGA) purposes. We have not yet completed our procedures in relation to WGA. These procedures will be completed before the deadline of 13 September 2019.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendations that require the Council to consider them at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Other Reporting Issues (continued)

Independence

We communicated our assessment of independence for the Council in our Audit Results Report to the Audit Committee on 24 July 2019 and to the meeting of the Council on 25 July 2019. In our professional judgement, the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

Control Themes and Observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

We identified one control observation relating to the Council's whistleblowing policy. This is because the policy has not been formally updated since 2011. We have therefore recommended that the Council formalises its approach to review and approval of policies on a periodic basis, including arrangements to ensure that all policies remain up to date with changes in legal and regulatory requirements.



06 Focused on Your Future



Focused on Your Future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard, IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>
IASB Conceptual Framework	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> • new definitions of assets, liabilities, income and expenses; • updates for the inclusion of the recognition process and criteria and new provisions on derecognition; • enhanced guidance on accounting measurement bases; and • enhanced objectives for financial reporting and the qualitative aspects of financial information. <p>The Conceptual Framework is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of Local Authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



07 Audit Fees

Audit Fees

Our base audit fee for 2018/19 is as agreed with you in our Engagement Letter and reported in our 2018/19 Audit Results Report.

	Final fee 2018/19	Planned fee 2018/19	Final fee 2017/18
		£	£
Total Fee – Code work	85,200	85,200	135,765
Total Fee – Code work (Fee Variation)	TBC	-	-
Total Audit Fee	85,200	85,200	135,765
Non audit work – Housing Benefit Certification work	TBC	6,500	16,970
Non-audit work – Grant Certification	TBC	7,387	8,300
Total Fee	85,200	99,087	161,035

In our Audit Results Report, dated July 2019, we noted the planned fee required variation to account for audit scope variation in respect of a number of matters during 2018/19 audit, including the implementation of the new accounting standards IFRS 9 and IFRS 15; the revaluation of the Council's shares in Newcastle International Airport Limited; our assessment of the Council's group accounts considerations; additional work required in relation to the accounting for LGPS net liability following the judgements around McCloud and GMP; additional use of EY property valuation specialists to review the valuation of the complex assets held by the Council; and the treatment of the two prior period adjustments relating to Foundation schools and a pension prepayment. We are currently in the process of agreeing the value of this fee variation with management and will report back to those charged with governance when the fee is agreed.

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North Tyneside Council Report to Audit Committee Date: 20 November 2019

ITEM 7

Title: Strategic Audit Plan 2019/20
Interim Monitoring Statement

Report from Service Area: Resources

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 2019/20 (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 2019/20 Interim Monitoring Statement

- 1.4.1 The Strategic Audit Plan 2019/20 was presented to, and approved by, the Audit Committee at its meeting on 27 March 2019. 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 2019/20, is attached as **Appendix A**. During 2019/20, 39 assignments were programmed. At the mid-year point, 25 of these assignments (64%) are either completed or in progress. 10 assignments (26%) have been concluded and issued with a further 15 (38%) underway. Work has also been undertaken to finalise 3 assignments from the previous financial year. In addition, 5 assignments have been undertaken following request by management, which were not included in the 2019/20 Plan. A normal part of the planning and delivery process is the review and prioritisation of planned work by the Internal Audit team in accordance with professional guidance.

- 1.4.3 We have also undertaken a range of management requests / special investigations where required, in addition to supporting working groups in a programme assurance capacity. This will be included in the 2019/20 Annual Opinion on the Framework of Governance, Risk Management and Control.
- 1.4.4 In terms of planned resourcing, a vacancy has arisen within the team in-year which has taken longer to fill than anticipated. This, and one long-term sickness absence, has reduced the resources available and on which the Plan was based. This has contributed to delays in starting some assignments. The vacancy has been advertised and it is anticipated that a recruitment exercise will be concluded imminently to appoint to the vacant post. It will be important to monitor resourcing closely during the remainder of the year to ensure sufficient audit coverage is delivered. If required, it may be necessary to consider options for securing additional resources.
- 1.4.5 A full outturn on the 2019/20 Annual Audit Plan will be reported to the Audit Committee in May 2020.

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 2019/20 Interim Monitoring Statement

1.8 Contact officers:

Kevin McDonald (Group Assurance Manager) Tel: 643 5738

Marc Oldham (Senior Auditor) Tel: 643 5711

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, February 2019 (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 Plan 2019/20, March 2019 (P) [Strategic Audit Plan 2019/20](#)
- (f) Strategic Audit Plan 2018/19, March 2018 (P) [Strategic Audit Plan 2018/19](#)

- (g) Internal Audit Reports & Briefing Notes prepared during 2019/20 (C)
- (h) Corporate Strategic, Service Strategic and Operational Risk Registers (C)
- (i) 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 2019/20 was prepared following consultation with: the Chief Executive; Head of Resources (Chief Finance Officer) and all Heads of Service.

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 authors Allison Mitchell
Kevin McDonald
Marc Oldham

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.	<p>Ongoing throughout the year – on target.</p> <p>Additional and ad-hoc work continues throughout the year.</p>
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 Authority's change programme.	<p>Ongoing throughout the year – on target.</p> <p>Work continues to provide support in a number of areas/projects including:</p> <ul style="list-style-type: none"> • Children's Payment & Process Redesign Group • ICT Operations & Advisory Board • ICT Office 365 Project Board • ICT Performance and Prioritisation Board • ICT Disaster Recovery Project • Catering Services Chip & Pin

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 	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>Ongoing throughout the year – on target.</p> <p>The following grant work has been completed and in each case the grant return was found to be compliant with the grant providers' audit requirements:</p> <ul style="list-style-type: none"> • Local Transport Plan - £4.2m • Growth Hub Funding for NECA / LEP - £0.4m • Troubled Families – £0.3m <p>In addition, the Council's Carbon Reduction Commitment (CRC) return, which calculates the value of carbon credits the Council is required to purchase, has been certified with a value of £0.2m.</p> <p>During the year we have also been asked to certify the following grants that were not on the Audit Plan. In each case the grant returns were also found to be compliant with the grant providers requirements:</p> <ul style="list-style-type: none"> • A1058 Coast Road Local Growth Fund (LGF) - £7.4m • Swans Business Centre Phase 3 (LGF) - £0.014m • Swans Quay Work Feasibility (LGF) £0.5m • A19 Employment Corridor (LGF) - £4.7m

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"> 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, Head of Resources (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>Annual Opinion for 2018/19 complete.</p> <p>Work in respect of 2019/20 Annual Opinion due to commence during Quarter 4 – on target.</p>
Corporate and Cross Cutting	<ul style="list-style-type: none"> 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.	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"> • Governance and value for Money Reviews 	<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 2019/20 include:</p> <ul style="list-style-type: none"> • Risk Management arrangements • Construction Partner in-sourcing • Section 106 / Section 278 arrangements • Treasury Management arrangements • Fundamental workforce workflows • Information Governance 	<p>2018/19 work completed:</p> <ul style="list-style-type: none"> • Deprivation of Liberty Safeguards (Limited Assurance 1 high, 5 medium & 9 low priority recommendations) <p>Reviews underway:</p> <ul style="list-style-type: none"> • Section 106 / Section 278 • Construction Partner (project assurance role has continued) • Examination of Capital Projects <p>Reviews scheduled for second half of the year:</p> <ul style="list-style-type: none"> • Risk Management • Treasury Management • Fundamental workforce workflows <p>Review reprogrammed to 2020/21: Information Governance – reprogrammed. Implementation of GDPR audit has been finalised during 2019/20.</p>

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 Resources (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 - on target.</p> <p>Annual report prepared for Department for Education (DfE) deadline of 31 May 2019 – complete.</p> <p>Work in respect of 31 May 2020 deadline has commenced.</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 2019. 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 2019/20, specific ICT audit coverage will be prioritised in the following areas:</p> <ul style="list-style-type: none"> • Accuserv System (Construction Group system) • Payment Card Industry Data Security Standards (PCIDSS) Compliance • Office 365 & SharePoint • Business Continuity Planning / Disaster Recovery • Leisure Management System • Customer Relationship Management System • Email • Internet 	<p>2018/19 work completed:</p> <ul style="list-style-type: none"> • Implementation of GDPR (Significant Assurance – 6 medium & 15 low priority recommendations) • Network Management (Significant Assurance - 7 medium & 7 low priority recommendations) <p>Work completed:</p> <ul style="list-style-type: none"> • Leisure Management (Significant Assurance – 2 medium & 9 low priority recommendations) • Customer Relationship Management (Significant Assurance – 4 medium & 12 low priority recommendations) <p>Work underway:</p> <ul style="list-style-type: none"> • Email • Internet <p>Work scheduled for second half of the year:</p> <ul style="list-style-type: none"> • Accuserv System • PCIDSS • Business Continuity Planning / Disaster Recovery <p>Work reprogrammed to 2020/21:</p> <ul style="list-style-type: none"> • Office 365 & SharePoint – SharePoint has not yet been implemented so the audit will be rescheduled to the next financial year. NB, we continue to support the implementation through our programme assurance work.

Audit and Assurance – ICT

Heading	Auditable Area	Description / Audit Objectives	Progress Update
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.	Complete.

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.

Counter Fraud and Internal Control & Probity

Heading	Auditable Area	Description / Audit Objectives	Progress Update
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, with emphasis dictated by the organisation's risk profile determined on an annual basis.</p>	<p>Work completed:</p> <ul style="list-style-type: none"> • Business Rates (Significant Assurance – 2 low priority recommendations) • Debt and Income Management (Limited Assurance – 8 medium and 6 low recommendations) <p>Work underway:</p> <ul style="list-style-type: none"> • Cash and Bank • Housing & Council Tax Benefit • Creditor Payments <p>Work scheduled for second half of the year:</p> <ul style="list-style-type: none"> • Council Tax • Payroll • Housing Rent Assessment & Collection

North Tyneside Trading Companies

Heading	Auditable Area	Description / Audit Objectives	Progress Update
North Tyneside Trading Companies	<ul style="list-style-type: none"> • Governance Flows 	The Internal Audit service will be performing some specific audit work in respect of North Tyneside Council's trading companies. An assessment of governance flows between entities within the 'accounting group boundary' will be undertaken as part of this work	Planned to commence in Q4 – on target.

North Tyneside Council Report to Audit Committee Date: 20 November 2019

ITEM 8

Title: Key Outcomes from
Internal Audit reports issued
between May 2019 and
October 2019

Report from Service Area: Resources

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 May 2019 and October 2019 (**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, based on the outcomes from this work, 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 May 2019 and October 2019

- 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 May 2019 and October 2019, 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 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.

1.5 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 May 2019 and October 2019

1.8 Contact officers:

Kevin McDonald (Group Assurance Manager) Tel 643 5738
Tony Candlish (Senior Auditor) Tel 01670 623929

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) [PSIAS April 2017](#)
- (b) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019 (P)
- (c) Financial Regulations C.24 – C.35, Version 5a, September 2013 (P) [Financial Regulations](#)
- (d) Strategic Audit Plans 2018/19 and 2019/20, March 2018 and 2019 (P) [Strategic Audit Plan 2018/19](#)
[Strategic Audit Plan 2019/20](#)
- (e) Internal Audit Reports & Briefing Notes issued during 2019/20 (C)
- (f) Corporate Strategic, Service Strategic and Operational Risk Registers (C)
- (g) 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

Effective internal audit is an essential part of the Authority's governance arrangements. Internal Audit examines the Authority's systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed. The audit of the Authority's activities 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 inefficiency.

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
 Tony Candlish

Internal Audit Service

Key Outcomes from Internal Audit Reports Issued Between May 2019 and October 2019

November 2019



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 six month period May 2019 to October 2019. 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 2020 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 2019)

- 3.1 On the basis of Internal Audit work performed and described in this report, the Chief Internal Auditor's opinion is that the organisation's internal systems of governance, risk management and control are **satisfactory** at this stage in the audit programme. This is a positive opinion for the organisation.
- 3.2 In this report, details of six audit opinions are presented. Of these four (67%) were 'significant assurance' and two (33%) were 'limited assurance' opinion classification. No 'critical priority' recommendations were made. 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:
- Construction Partner In-sourcing;
 - Children's Payments and Process Redesign Group;
 - ICT Operations and Advisory Board;
 - ICT Office 365 Project Board;
 - ICT Performance & Prioritisation Board;
 - ICT Disaster Recovery Project;
 - Catering Services Chip & Pin
- 4.6 Internal Audit has also supported a 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/TC
November 2019

5 Main Outcomes – Audit Reports Issued During the Period May 2019 to October 2019

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
1	Deprivation of Liberty Safeguards (DoLS)	To determine whether the systems and procedures in operation for administering and assessing Deprivation of Liberty authorisation requests are functioning satisfactorily in accordance with legislation, and to provide an opinion to management on the effectiveness of the system of internal control in place.	Limited	0	1	5	9
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
<p>Quality Assurance Process – all DoLS assessments are quality assured by designated signatories before a deprivation of liberty is authorised.</p> <p>ADASS Forms and Prioritisation Tool – to help ensure compliance with the Mental Capacity Act the Authority uses the forms designed by the Association of Directors of Adult Social Services (ADASS). In addition, the ADASS priority tool is used to help prioritise the most urgent cases.</p>		<ul style="list-style-type: none"> The main issue identified is that DoLS authorisation requests are not always completed within statutory deadlines, and there is a backlog awaiting processing (it should be noted that management were already aware of this before the audit and the position is reflective of national trends). There is a weakness within management’s resource capacity assessment plans that may delay the backlog from being cleared if not addressed. Due to the way information is currently recorded and managed, it is not possible to undertake detailed performance management of DoLS authorisation requests as they pass through the assessment process. There have been instances of delay in sending notification letters of the outcome of DoLS assessments and this has on a small number of occasions led to the letters being sent to the wrong parties. 		<p>Management confirmed that all high and medium, and seven of the low priority recommendations have been implemented. In relation to the two low priority recommendations not yet implemented, one is still within the original target date and a revised target date has been agreed for the other.</p> <p>Since the audit was undertaken the service have further developed LiquidLogic, the existing Adult Social Care system, and this helped to resolve many of the issues identified. This enables greater performance management as DoLS authorisation requests can be tracked as they move through the assessment process. The service have reported that this is having a positive impact and the backlog is reducing.</p> <p>Internal Audit have checked and confirmed the high and medium priority recommendations have been implemented.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
2	Leisure Management System Review	<p>To determine whether the Leisure Management system and associated procedures are functioning satisfactorily and in accordance with legislation and Council policy. In particular, to determine whether:</p> <ul style="list-style-type: none"> • The system complies with good practice and all legal, statutory and regulatory body requirements and meets the business need; • All critical user actions are completely and accurately recorded and traceable; • Access to information is controlled and restricted according to users' needs; • The system is effectively administered and supported, including system upgrades; • Staff using the system have been trained; and <p>The system provides complete and accurate management information.</p>	Significant	0	0	2	10
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
<p>The audit of the leisure management system identified several areas of good practice. The recent upgrade to the system replaced a system that was end of life and crashed regularly with a system that is more stable, supported by the suppliers and has greater functionality.</p> <p>Effective procedures are in place for account management that include ensuring users are trained prior to being granted access to the live system and requiring an e-form to be authorised by a line manager prior to the account being created.</p>		<p>There are currently no interfaces between the ASH debtors or AIM income management systems. This results in a large amount of duplicated input between systems.</p> <p>When data is deleted from the system it is retained in the database so potentially failing to comply with the Authority's retention guidelines and data protection legislation.</p>		<p>The target dates for implementation of the recommendations have not yet been reached. The recommendations will be followed up in accordance with Internal Audit's agreed processes.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
3	Network Management	To appraise and evaluate the administration and use of network management in order to determine whether adequate controls and procedures are in place that will safeguard the Authority's IT network assets.	Significant	0	0	6	8
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
<p>There is an established structure for fault escalation within ICT and a clear segregation of duties between teams with job descriptions clearly identifying roles and responsibilities.</p> <p>Effective reporting lines for fault management were identified and the IT Service Management (ITSM) system is an effective tool for recording issues; changes; requests; and maintaining an inventory of devices.</p> <p>ICT have employed Phoenix Software to run software scans to ensure software is being used in accordance with licence agreements.</p> <p>ICT have a clear plan of proactive work to be carried out over the next twelve months.</p>		<ul style="list-style-type: none"> • Several items of critical infrastructure are not up to date with security patches, which is the result of additional patching windows not being agreed with the Authority. • There are currently no smoke alarms, automatic fire suppression systems or moisture detectors located with the secondary data centre at Killingworth. • A review of the Sophos dashboard identified 836 devices with errors and 177 devices with out of date anti-virus software. • There is an alternative internet line in the event that the primary line fails, however, automatic failover from primary to secondary is not seamless with an ICT employee having to manually failover the line causing several hours with no internet access. • In the event of a failover to the secondary internet line only specific services would be available. The Authority would lose access to critical services as a result of the reduced capacity of the secondary internet line. • There is a lack of replication between the primary and secondary data centres. In the event the primary data centre was lost there would be no access to the majority of ICT services. 		<p>A number of low priority recommendations have been implemented, including an update to the Authority's Information Computer Security Policy.</p> <p>ICT have now separated domain administrator accounts from the standard team account and implemented 'Local Administrator Password Solution' (LAPS) which provides management of local account passwords of domain joined computers.</p> <p>The target dates for implementation of the remaining recommendations, including the medium priority recommendations, have not yet been reached. The recommendations will be followed up in accordance with Internal Audit's agreed processes.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
4	Debt and Income Management	To evaluate the internal controls in place over the Debtors System, focusing on the following: <ul style="list-style-type: none"> • Policies and procedures; • Credit notes and write offs; • Recovery action; and • Management Controls. 	Limited	0	0	8	6
Good Practice Highlighted		Main Issues Identified	Progress Made / Action Taken				
<p>There is an adequate segregation of duties within the Debtors system, debtors accounts are created by the Central debtors team, invoices are raised by the service areas and write offs are approved by the Senior Client Manager for Revenues, Benefits & Customer Services.</p> <p>The Officer Scheme of Delegation for write offs and refunds is clear with different employees able to approve different monetary values. Large amounts require a Cabinet decision.</p>		<ul style="list-style-type: none"> • There is an inconsistent approach across the organisation in respect of issuing credit. One service area advised it did not perform checks for outstanding and previous debt. • The organisation's ability to recover debt is made more difficult due to poor data collection routines resulting in important customer information not being recorded. • There is a large amount of school meal debt pending write off as a result of invoicing annually and poor collection. • Due to the lack of recorded information, it is not always possible to establish whether credit notes are raised in compliance with the Sundry Income Collection and Debt Policy. • There is an imbalance in the write off figures in the debtors system and General Ledger, a large amount of debt is pending write off in debtors. • There is over one million pounds worth of outstanding debt assigned to a single service area, several of these debts have not been acknowledged by the service area and therefore recovery action has not commenced. • Performance targets set out in the Sundry Income Collection and Debt Policy are not monitored by service areas. 	<p>The target dates for implementation of the recommendations have not yet been reached. The recommendations will be followed up in accordance with Internal Audit's agreed processes.</p>				

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
5	Business Rates	To examine and evaluate whether the processes and procedures in operation for the Business Rates system are fit for purpose and support the delivery of business goals.	Significant	0	0	0	2
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
<p>Overall there are good procedures in place to provide assurance that the Business Rates system is maintained effectively.</p> <p>There is a robust process in place to ensure the year end billing is run accurately and on time.</p> <p>Experienced officers adhere to the Business Rates system manual.</p> <p>Reconciliations and quality control checks are completed promptly to ensure that the system is updated effectively and accurately.</p>		<p>Low priority recommendations were made in relation to:</p> <ul style="list-style-type: none"> Some procedures and processes followed by management are not documented. It is important that key procedures are documented to ensure that during periods of staff absence, processes can continue to be followed in a timely manner, accurately and as efficiently as possible. The efficiency and reliability of the inspection visits process could be improved. A review of the inspection process is proposed, with a view to implementing an electronic record system, which can be used to monitor and plan inspections. 		<p>The target dates for implementation of recommendations have not yet been reached, however, only low priority recommendations were made.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
6	Customer Relationship Management (CRM) System Review	To determine whether the systems and procedures in operation for the CRM system are functioning satisfactorily and are in accordance with legislation and council policy.	Significant	0	0	4	12
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
<p>The CRM system is well managed and supported by officers within Customer Services and ICT.</p> <p>Upgraded versions of the software/patches are adequately tested prior to being implemented in the live environment.</p> <p>Customers can request that a password be applied to their account.</p> <p>New Customer Services users complete a two-week induction programme. Users do not access the live system until after this induction period.</p>		<ul style="list-style-type: none"> The System administrators within ICT and Customer Services have been allocated identical access rights despite their differing roles and responsibilities. There are two Customer Services Officers with system administrator access rights to CRM, one of whom does not currently have the level of knowledge necessary to undertake all tasks associated with the system administrator role. There are no published record retention guidelines for Customer Services data. There is a risk that the Authority may breach data protection legislation by retaining information in CRM beyond its business need. Use of CRM may not have been maximised by the organisation with current use limited to Customer Services and Corporate Complaints. Organisational developments implemented or commenced but subsequently abandoned as part of the Customer Journey programme, such as Requests for Information (implemented) and Members' Enquiries (abandoned), could have been developed in CRM. 		<p>There has been a short delay in implementing the three medium priority recommendations due to be implemented by 31 October 2019. Revised implementation dates of 30 November 2019 (two recommendations) and 30 January 2020 (one recommendation) have been agreed. These and the remaining medium priority recommendation which has not yet reached the target implementation date will be followed up in accordance with Internal Audit's agreed processes.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
7	Public Services Network (PSN) Code of Connection Submission 2019	To determine whether ICT responses in the 2019 Code of Connection (CoCo) are a fair representation of controls and procedures either under development or planned to be implemented across the Authority's ICT network infrastructure and associated devices.	Not Applicable	-	-	-	-
Good Practice Highlighted		Main Issues Identified		Progress Made / Action Taken			
<ul style="list-style-type: none"> ICT has enabled effective anti-virus and content-filtering software and monitoring routines. Mobile device management software has been deployed across tablets and mobile telephones that encrypts data and allows devices to be remotely wiped should they be lost. Effective physical security is in place to restrict access to the Authority's key infrastructure assets and logical access controls have been applied by ICT to enhance desktop security. An intrusion detection system (IDS) that monitors the network for malicious activity or policy violations has been supplemented by implementation of a complementary intrusion prevention system (IPS). IT Health Checks (ITHC) are undertaken by certified suppliers and the most recent ITHC is issued to the PSNA. 		<ul style="list-style-type: none"> A lack of progress on key issues, including the replacement of unsupported platforms and operating systems, that were included in ICT's 2015, 2016 and 2017 remedial action plans and reported to the PSN Authority (PSNA) as underway, were likely to result in increased scrutiny of the 2019 submission. The 2016 and 2017 submissions were initially rejected by the PSNA who expressed concern over the time proposed to address several issues and considered some timescales for remedial action to be unacceptable, specifically high priority issues that remained open more than three months beyond the date of the external IT Health Check (ITHC). The 2019 submission includes issues identified previously and timescales for high priority issues that extend beyond 2019. The presence of a number of issues in the 2019 remedial action plan that had previously been reported in previous plans indicates that remedial work is not being completed as planned. In some cases, action is deferred until the following CoCo submission increases its urgency. 		<p>The Authority's submission is subject to review by an initial gatekeeper before it is forwarded to the PSNA for assessment. The gatekeeper advised that several vulnerabilities were required to be resolved before the submission could be submitted to the PSNA. The submission was forwarded to the PSNA on 16 October 2019 and ICT are awaiting a response. There are 25 high risk vulnerabilities that remain open, with 12 relating to the replacement the NetApp infrastructure, which is used to store all S and U Drive data. This was scheduled for completion in September 2019 but will now be complete by the end of December 2019. Plans are in place to address the remaining vulnerabilities.</p>			

6 Evidence Checking

- 6.1 Internal Audit reports issued during the period May 2019 to October 2019 included 1 high priority and 31 medium priority recommendations. In respect of these 32 recommendations, 6 (1 high and 5 medium) have been self-certified by management as fully implemented. The remaining 26 medium priority recommendations have not reached their original or revised target dates. All 6 recommendations self-certified by management 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 Internal Audit’s evidence checking of high and medium priority recommendations self-certified as implemented by management is provided in the table below.

Priority	Total Number of Recommendations Evidence Checked	Number confirmed as Implemented		Number Requiring Additional Action	
		No.	%	No.	%
Critical	Not applicable	n/a	n/a	n/a	n/a
High	1	1	100%	0	0%
Medium	5	5	100%	0	0%
Total	6	6	100%	0	0%

- 6.3 Further work on how best to measure the implementation of agreed recommendations has been included as a target within Internal Audit’s Service Plan for 2019/20 and will be reported to Audit Committee in due course.