

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO THE  
AUDIT & STANDARDS COMMITTEE**

**Date 3 July 2017**

**INTERNAL AUDIT SECTION ANNUAL REPORT 2016-17**

**Submitted by: Head of Audit & Elections**

**Portfolio: Finance, IT and Customer**

**Ward(s) affected: All**

**Purpose of the Report**

To consider the annual report of the Internal Audit Section for the financial year 2016-17 enclosed as Appendix A.

**Recommendation**

**That the Internal Audit Section Annual Report for 2016-17 be received.**

**Reasons**

In accordance with the Internal Audit Charter our objective is *“To deliver a risk-based audit plan in a professional manner, to provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make the recommendations to improve it”*. This report outlines how Internal Audit has achieved this during the 2016-17 financial year.

**1. Background**

- 1.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 Internal Audit reports directly to the Section 151 Officer who is the Executive Director (Resources and Support Services).
- 1.3 The Section also provides a service to management by giving assurance that there are adequate internal controls in operation, ensuring the proper, economic, efficient and effective use of resources, to include the security of assets and data and to assist management in preventing and detecting fraud. This is achieved by the completion of routine system and regularity audits and, under a wider remit, by value for money and special audits

- 1.4 The Council's Internal Audit Section consists of 2.0 FTE Audit Technicians and 1.0 FTE Corporate Fraud Officer and is managed by the Head of Audit & Elections.
- 1.5 This report aims to provide information about the programme of work undertaken by Internal Audit during the financial year 2016-17. Monitoring of the Section's performance against plan is completed and an analysis undertaken of actual work areas across major audit areas.
- 1.6 The section has continued to contract in specialist external computer support. The contract for 2016-17 was awarded to Information Security Advice Limited.
- 1.7 As required by the Public Sector Internal Audit Standards the Head of Audit & Elections has developed an Audit Charter in respect of delivering the Internal Audit Service. The internal audit charter is a formal document that defines internal audit's purpose, authority and responsibility. The charter establishes Internal Audit's position within the organisation, including the nature of the Head of Audit & Elections functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit's activities. It provides a framework for the conduct of the service and has been approved by the Council's Executive Management Team and the Audit Committee.
- 1.8 The Internal Audit year-end report also builds upon the assurance given by the section in support of the Annual Governance Statement on internal control.

## 2. **Issues**

- 2.1 The Audit and Risk Committee approved the original Audit Plan for 2016-17 on the 15 February 2016. The plan accounted for 526 audit days. A revised audit plan of 358 days was approved by the committee on the 14 November 2016. The annual report of the internal audit service is based on the revised plan.
- 2.2 Completion of the Audit Plan was 91% against a target of 90%.
- 2.3 A total of 68 recommendations have been made during 2016/17 of which over 80% have been implemented. A manual process has been in place for these during 2016/17 due to the implementation of the new audit management system. All recommendations have now been migrated to the new system and these will now be incorporated as part of the automated tracking process within the system.
- 2.4 The work of Internal Audit shows the Council to have an adequate, effective and reliable framework of internal control, which provides reasonable assurance regarding the effective and efficient achievement of the Council's objectives.

## 3. **Options Considered**

- 3.1 The provision of specialist computer skilled auditors is bought in as a more economically and effective option to training and trying to retain the same quality of staff internally.

## 4. **Proposal**

Not applicable

## 5. **Reasons for Preferred Solution**

Not applicable

6. **Outcomes Linked to Corporate Priorities**

- 6.1 Internal Audit contributes to the prevention, identification and investigation of fraud and corruption and contributes to promoting an anti-fraud culture.
- 6.2 Internal Audit helps to ensure that best use is made of the Council's resources and contributes to improving efficiency whilst underpinning the remaining priorities of the Council.

7. **Legal and Statutory Implications**

The Local Government Accounts and Audit Regulations 2015 require every Local Authority to maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with proper internal audit practices.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from this proposal.

9. **Financial and Resource Implications**

- 9.1 The total budget, for the Section for 2016/17 was £250,880

10. **Major Risks**

- 10.1 Risk issues are covered in the main report, attached Appendix A.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

Report to Audit & Risk Committee 15 February 2016 – Internal Audit Plan 2016-17

13. **List of Appendices**

- 13.1 Annual Report of the Internal Audit Section 2016-17

14. **Background Papers**

APACE time recording system  
Public Sector Internal Audit Standards (PSIAS)