NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO
AUDIT & STANDARDS COMMITTEE

Date: 23rd September 2019

INTERNAL AUDIT PROGRESS REPORT – Quarter One 2019/20

Submitted by: Chief Internal Auditor, Clare Potts

Portfolio   Finance and Efficiency

Ward(s) affected   All

Purpose of the Report

To report on the work undertaken by the Internal Audit section during the period 1st April to June 2019. This report identifies the key issues raised. The full individual reports issued to Officers contain the key issues and recommendations.

Recommendations

That Members consider the report.

Reasons

The role of Internal Audit is to ensure that the Council has assurance that controls are in place and operating effectively across all Council Services and Departments.

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1   Background

1.1   The Internal Audit Plan for 2019/20 allows for 365 days of audit work.

1.2   This is the first progress report of the current financial year presented to the Committee and the areas that it will cover are as follows;
- Actual against planned performance for the first quarter, demonstrating progress against the plan
- Details of audit reviews completed and final reports issued
- Consultancy and non-audit work

1.3   As audit resources are finite, it is important to target these resources at areas considered to be high risk (where risk includes potential impact on the delivery of the council's objectives) and high priority, ahead of medium/low ranked audits. In this way the audit resource will be most efficiently utilised and will produce the greatest benefit. The plan will be regularly monitored and where necessary revised to take into account both unforeseen and new developments. Whilst the audit plan must be detailed enough to identify in advance the specific areas to be audited it must also remain flexible enough to cope with unforeseen events and must reflect the changing risks and priorities of the council. Any variations or developments; significant matters that jeopardise the delivery of the plan or require changes to the plan will be reported to the Audit & Standards Committee at the earliest opportunity. Where requests are received to undertake consulting engagements, consideration will be given to their

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potential to improve the management of risks, to add value and to improve the council's operations.

2   **Issues**

2.1   **Number of Recommendations Implemented**

At the conclusion of every audit, an audit report is issued to management detailing findings of the audit review together with any recommendations required to be implemented to address any weakness identified.

Up to the end of June 2019, 240 recommendations had been made, of which 168 have been implemented, which represents 70%; the target for the implementation of all recommendations is 96% by the end of the financial year.

2.2   **Audit reviews completed and final reports issued between 1st April & 30th June 2019**

On completion of the audit reviews an opinion can be given as to the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Well Controlled	Controls are in place and operating satisfactorily. Reasonable assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money (vfm)
Adequately controlled	There are some control weaknesses but most key controls are in place and operating effectively. Some assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.
Less than adequately controlled	Controls are in place but operating poorly or controls are inadequate. Only limited assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.
Poorly controlled	Controls are failing or not present. No assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.

2.3   The table below shows the overall audit opinion and the number and types of recommendations agreed to improve existing controls, or introduce new controls on the audit reviews completed since the 1st April 2019.

Audit Area	Level of Assurance	Number of Recommendations and Classification			Total
		High	Medium	Low	
Resources and Support Services					
Housing Benefits (18/19)	Well controlled	0	1	2	3
Operational Services					
Food Safety (18/19)	Well controlled	0	0	1	1
Recycling (18/19)	Less than adequately controlled	0	13	2	15

Audit Area	Level of Assurance	Number of Recommendations and Classification			Total
		High	**Medium**	**Low**	
Taxi Licencing (18/19)	Well controlled	0	0	0	0
Licencing – premises and clubs (18/19)	Well controlled	0	0	0	0
IT Assurance					
Northgate user security (18/19)	Reasonable assurance	1	1	0	2
BACAS user security (18/19)	Limited assurance	3	0	1	4

2.4   Recycling
The recycling audit identified a number of areas for improvement including:
- Operational documentation requiring completion
- Consistent application of time recording processes
- Ensuring reconciliation processes for waste receptacles take place on a timely basis

2.5   BACAS user security
Under the council's IT assurance arrangements, it was identified that improvements are required to the following areas:
- Security configuration to adhere to least privilege principles
- Improvements to password security parameters for external users over the internet
- User documentation and training required

3   Options Considered

3.1   Audit recommendations are discussed and agreed following the issue of the draft audit report. These draft discussions give management the opportunity to discuss and agree the recommendations that have been proposed.

3.2   The audit plan is monitored on a regular basis to ensure that it is achievable and reflects the key risks affecting the council. Due to internal audit involvement in an on-going special investigation, work is currently underway to assess the impact on the deliverability of the audit plan. Further details will be provided at quarter 2.

4   Proposal

4.1   In agreeing to audit reports, management acknowledge the issues raised and risks identified from the review and therefore accept the recommendations that have been made.

5   Reasons for Preferred Solution

5.1   By implementing the recommendations, the exposure to risk is reduced and achievement of the Council's objectives maximised. The completion of the audit plan provides assurance of the Council's systems and internal controls.

6   **Outcomes Linked to Corporate Priorities**

6.1   The Internal Audit team directly contribute to the corporate priority "transforming our Council to achieve excellence". The mission of internal audit is "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight" (Public Sector Internal Audit Standards). The results of the work undertaken during the year contribute to the overall annual internal audit opinion. This assists the Audit & Standards Committee and the Executive Management Team to discharge their roles of accountability and stewardship which represents a key element within the Authority's governance framework.

6.2   The Internal Audit function also contributes to the prevention, detection and investigation of potential fraud and corruption incidents as well as giving assurance on the effectiveness of services in terms of value for money. Therefore ensuring the best use of the Council's resources and improving efficiency where weaknesses are identified to support all the council's priorities.

7   **Legal and Statutory Implications**

7.1   The Accounts and Audit Regulations 2015 require the Council to 'maintain an adequate and effective system of internal control in accordance with the proper internal audit practices'.

8   **Equality Impact Assessment**

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

9   **Financial and Resource Implications**

9.1   The service is currently on target to be provided within budget. The financial implications resulting from the recommendations made within audit reports will be highlighted within individual reports wherever possible. It is the responsibility of managers receiving audit reports to take account of these financial implications, and to take the appropriate action.

10   **Major Risks**

10.1   If key controls are not in place, managers are exposing their systems, processes and activities to the potential abuse from fraud and corruption.

10.2   If key controls are not in place, assurance cannot be given that the Services being delivered provide Value for Money for the Council.

10.3   If the risks identified are not addressed through the implementation of agreed recommendations, achievement of the Council's objectives will be affected.

11   **Key Decision Information**

11.1   Not applicable

12   **Earlier Cabinet/Committee Resolutions**

12.1   Approval of the Internal Audit Plan for 2019/20 (Audit and Standards Committee 15 April 2019).

13 **Appendices**

13.1 None.

14 **Background Papers**

14.1 None.