

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Audit & Standards Committee
28 September 2020

Report Title: Internal Audit Update Quarter 1
Submitted by: Chief Internal Auditor, Clare Potts
Portfolios: Finance and Efficiency
Ward(s) affected: All

Purpose of the Report

To report on the position regarding Internal Audit during the period 1st April to June 2020.

Recommendation

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.

1. **Background**

- 1.1 The Internal Audit Plan for 2020/21 allows for 336 days of audit work.
- 1.2 This is the first progress report of the current financial year presented to the Committee.
- 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 internal audit plan will be regularly monitored and where necessary revised to take into account both unforeseen and new developments. 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 potential to improve the management of risks, to add value and to improve the council's operations.

2. **Issues**

Audit reviews - 1st April & 30th June 2020

- 2.1 Unfortunately it was not possible for any internal audit reviews to be undertaken during quarter 1. This is a similar position for many local authority internal audit teams, due to the impact of the coronavirus pandemic. There are a number of reasons for this including internal audit staff undertaking other roles to support the council's pandemic responses

and auditees having to prioritise responding to the pandemic ahead of supporting internal audit reviews. In addition, there was added complexity for Newcastle due to the change in internal audit support whilst the country was in lockdown.

- 2.2 Whilst the lack of internal audit activity may be concerning for the Committee, the internal audit team were available to provide advice if required and some preparatory work was undertaken to enable formal internal audit activity to commence in quarter 2 of 2020/21. A review of the annual plan has also been conducted to ensure that adequate work is undertaken to support an annual opinion at the year end.

Number of Recommendations Implemented

- 2.3 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.
- 2.4 Up to the end of June 2020, 255 recommendations had been made, of which 211 have been implemented, which represents 82%; the target for the implementation of all recommendations is 96% by the end of the financial year. Appendix A provides further details.

3. **Proposal**

- 3.1 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 current issues as outlined in paragraph 2.1 above, a review of the internal audit plan has been undertaken to ensure best use of available resources.

4. **Options Considered**

- 4.1 Following a review of the plan by the Executive Management Team, it is proposed that the following audits in table 1 below are deferred and re-assessed for inclusion in the 2021/22 audit plan.

Table 1 – Deferred Audits

Audit	Reason
J2	Audit no longer required. Recovery Action Plan to be reviewed by EMT.
Procurement	Audit undertaken in 2019/20. To be risk assessed for inclusion in 2021/22
GDPR	Actions being implemented from previous consultancy work. To be risk assessed for inclusion in 2021/22
Major projects	To be risk assessed for inclusion in 2021/22
Commercial Investment	To be risk assessed for inclusion in 2021/22
Financial Resilience	To be covered as part of external audit review. To be risk assessed for inclusion in 2021/22
Planning	To be replaced with a Joint Local Plan review (see 4.2 below).

- 4.2 In addition, it is proposed that the Elections audit not completed as part of the 2019/20 audit plan is carried forward and completed during 2020/21. It has also been agreed to

complete a joint internal audit review with Stoke-on-Trent City Council on the Joint Local Plan.

5. **Legal and Statutory Implications**

5.1 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’.

6. **Equality Impact Assessment**

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

7. **Financial and Resource Implications**

7.1 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.

8. **Major Risks**

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

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

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

9. **Sustainability and Climate Change Implications**

9.1 Not applicable.

10. **Key Decision Information**

10.1 Not applicable

11. **Earlier Cabinet/Committee Resolutions**

11.1 Approval of the Internal Audit Plan for 2020/21 (Audit and Standards Committee 1st May 2020).

12. **List of Appendices**

12.1 Appendix A – Outstanding internal audit recommendations

13. **Background Papers**

13.1 Internal Audit Plan 2020/21.