

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Audit & Standards Committee
08 February 2021

Report Title: Internal Audit Update Quarter 3

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 October to 31 December 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 second 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

- 2.1 Quarter 3 continued to be extremely challenging for the internal audit service. Work continued in quarter 3 on a number of reviews that commenced during quarter 2, however, the coronavirus pandemic continued to have an impact on the speed at which

reviews could be undertaken. The council remains in a similar position to many local authority internal audit teams. Table 1 below details the audit work currently in progress.

Table 1 – Planned Audits in progress at the end of December 2020

Directorate	Audit	Status (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	Health & Safety	Preparation
	Elections	Fieldwork
Regen & Development	Joint Local Plan	On hold
Corporate	Business Continuity	Fieldwork
IT Audit Assurance (External)	IT Governance	Fieldwork

- 2.2 As in the previous quarters, the internal audit team continue to be available to provide advice and guidance to services as required. The annual internal audit plan also remains under regular review to assess the impact of a reduced work programme on the annual opinion at the year end. CIPFA have released guidance for the annual opinion for 2020/21 for local authorities that have been unable to undertake a full internal audit programme due to the pandemic and this will be utilised in considering the annual report and opinion.

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 December 2020, 255 recommendations had been made, of which 230 have been implemented, which represents 90%; 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, the internal audit plan for 2020/21 remains under review to ensure best use of available resources.

4. Legal and Statutory Implications

- 4.1 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'.

5. **Equality Impact Assessment**

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

6. **Financial and Resource Implications**

6.1 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.

7. **Major Risks**

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

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

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

8. **Sustainability and Climate Change Implications**

8.1 Not applicable.

9. **Key Decision Information**

9.1 Not applicable

10. **Earlier Cabinet/Committee Resolutions**

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

11. **List of Appendices**

11.1 Appendix A – Outstanding internal audit recommendations

12. **Background Papers**

12.1 Internal Audit Plan 2020/21.