

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Audit & Standards Committee
08 November 2021

Report Title: Internal Audit Update Quarter 2

Submitted by: Chief Internal Auditor, Clare Potts

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To report on the position regarding Internal Audit during the period 1 July to 30 September 2021.

Recommendation

That

1. 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 2021/22 allows for 301 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 2 continued to be challenging for the internal audit service. Work continued during the quarter on reviews that commenced during the previous financial year, in addition to new areas included in the 2021/22 audit plan. As Covid-19 restrictions are eased, options will be

explored to undertake opportunities for the team to be more visible in order to speed up the time taken to complete the reviews. Table 1 below details the audit work currently in progress.

Table 1 – Planned Audits in progress at the end of September 2021

Directorate	Audit	Status (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	Benefits (2020/21)	Draft
	Payroll (2020/21)	Fieldwork
Operational Services	Bereavement Services	Fieldwork
Regen & Development	Planning Enforcement	Preparation
Corporate	Business Continuity (2020/21)	Draft
	Safeguarding	Fieldwork
	GDPR Compliance	Draft

2.2 During the quarter, an IT Audit Needs Assessment was completed. This report sets out the areas of audit work to be undertaken during the next three years to ensure coverage reflects the specific risks within the IT environment that are important to the Authority. This is particularly important due to the changing IT needs due to the changes in work practices of the past 18 months. The areas of review recommended for 2021/22 are as follows:

- Cyber Security
- Personal Devices and Home working
- Civica Finance – Configuration and User Security
- HR systems

2.3 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 impact on the annual opinion at the year end.

Number of Recommendations Implemented

2.4 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 weaknesses identified.

2.5 Up to the end of September 2021, 262 recommendations had been made, of which 248 have been implemented, which represents 95%; 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 Due to current issues as outlined in paragraph 2.1 above, the internal audit plan for 2021/22 remains under review to ensure best use of available resources.

4. **Reasons for Proposed Solution**

4.1 The audit plan is monitored on a regular basis to ensure that it is achievable and reflects the key risks affecting the council.

5. **Options Considered**

5.1 None

6. **Legal and Statutory Implications**

6.1 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'.

7. **Equality Impact Assessment**

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

8. **Financial and Resource Implications**

8.1 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.

9. **Major Risks**

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

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

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

10. **UN Sustainable Development Goals and Climate Change Implications**

10.1 Not applicable.

11. **Key Decision Information**

11.1 Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Approval of the Internal Audit Plan for 2021/22 (Audit and Standards Committee April 2021).

13. **List of Appendices**

13.1 Appendix A – Outstanding internal audit recommendations

14. **Background Papers**

14.1 Internal Audit Plan 2021/22.