

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Audit & Standards Committee
07 February 2022

Report Title: Internal Audit Update Quarter 3

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 October to 31 December 2021.

Recommendation

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 third 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 During quarter 3 a number of reviews that began in previous quarters were finalised. See table 1 over for details.

Table 1 – Audits Completed at the end of December 2021

Audit	Level of Assurance	Number of Recommendations			
		High	Medium	Low	Total
Benefit Services Health Check	Good (Positive)	0	0	0	0
General Data Protection Regulations	Unsatisfactory (Negative)	1	4	1	6
Bereavement Services	Satisfactory (Positive)	0	6	3	9
Business Continuity (Covid-19 National Emergency)	Good (Positive)	0	2	1	3

2.2 Of the 4 reports issued in the quarter, one received an unsatisfactory opinion; the main weaknesses identified in this report are outlined below:

General Data Protection Regulations

At this audit 6 recommendations were made (one high risk, four medium risks and one low risk) with the resultant audit opinion of 'Unsatisfactory'. The key areas which required improvement were in respect of addressing gaps in data protection training, connecting officers with responsibility for GDPR to ensure efficient management and developing performance monitoring to assess and report on key areas of compliance.

2.3 At the end of quarter 3 a number of audit work remains in progress, details are provided in table 2 below.

Table 2 –Audits In Progress at the end of December 2021

Directorate	Audit	Status (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	Payroll	Fieldwork
	Council Tax	Preparation
	NNDR	Preparation
	General Ledger	Preparation
Regeneration and Development	Planning Enforcement	Fieldwork
Corporate	Safeguarding	Fieldwork
	Procurement and Contract Management	Preparation
	Risk Management	Preparation

- 2.4 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 support the production of the annual opinion at the year end.

Number of Recommendations Implemented

- 2.5 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.
- 2.6 Up to the end of December 2021, 280 recommendations had been made, of which 252 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 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.