

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Audit & Standards Committee
06 February 2023

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 2022.

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 2022/23 allows for 291 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 work continued to progress reviews and a review that began in a previous quarter was finalised. See table 1 over for details.

Table 1 – Audits Completed in the Quarter Ending September 2022

Audit	Level of Assurance	Number of Recommendations			
		High	Medium	Low	Total
Disabled Facilities Grant 2021/2022	Marginal (Neutral)	0	4	0	4

2.2 The report issued received a marginal opinion; the main weaknesses identified in this report are outlined below:

Disabled Facilities Grant 2021/2022

At this audit four recommendations were made (four medium risks), with the resultant audit opinion of 'Marginal'. The key areas which required improvement were in respect of the management and administration of information and supporting records and documentation.

2.3 Opinions for the above reviews are classified as follows:

Table 2 – Opinion Definitions

Level of Assurance	Detailed definition of level of assurance
Good (Positive)	A good level of effective control, which allows reliance to be placed on the management of the system.
Satisfactory (Positive)	A satisfactory level of control. However, some control weaknesses have been identified which need to be corrected in order to move up to a good level of control.
Marginal (Neutral)	A number of weaknesses have been identified which make it difficult to place reliance on the operation of the internal control framework. Improvements are required to increase the adequacy and effectiveness of control.
Unsatisfactory (negative)	A number of significant weaknesses have been identified which make it difficult to place reliance on the operation of the internal controls. Significant improvements are required to increase the adequacy and effectiveness of control.
Unsound (negative)	At least one fundamental absence or weakness exists which places the system open to major error, waste, loss or abuse. Fundamental weaknesses need immediate action to improve the control environment.

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

Table 3 –Audits In Progress at the end of December 2022

Directorate	Audit	Status (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	Payroll	Draft
	Income Health Check	Preparation
	Purchase to Pay Health Check	Fieldwork
IT Audit	Cyber Security Data Security and Monitoring, Configuration and Vulnerability	Fieldwork
	IT – Home Working	Preparation
Corporate	Procurement and Contract Management	Fieldwork
	Project Governance	Draft

2.5 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

2.6 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.

2.7 Up to the end of December 2022, 329 recommendations had been made, of which 287 have been implemented, which represents 87%; the target for the implementation of all recommendations is 96% by the end of the financial year. Of the remaining 42 recommendations, 16 are in progress and 19 have not yet received their due date for completion. Appendix A provides further details.

3. Proposal

3.1 The internal audit plan for 2022/23 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 2022/23 (Audit and Standards Committee April 2022).

13. **List of Appendices**

13.1 Appendix A – Outstanding internal audit recommendations

14. **Background Papers**

14.1 Internal Audit Plan 2022/23.