

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO**

Audit & Standards Committee
13 November 2023

Report Title: Internal Audit Update Quarter 2 2023/24

Submitted by: Chief Internal Auditor

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
To report on the position regarding Internal Audit during the period 1 July to 30 September 2023.	
<u>Recommendation</u>	
That 1. That Members consider the report.	
<u>Reasons</u>	
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 2023/24 allows for 276 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 and 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 2 work continued to progress reviews and 3 reviews that began in a previous quarter were finalised. See table 1 for details.

Table 1 – Audits Completed in the Quarter Ending September 2023

Audit	Level of Assurance	Number of Recommendations			
		High	Medium	Low	Total
Income Collection 2022/23 Health Check	Good (Positive)	0	1	1	2
Purchase to Pay 2022/23 Health Check	Satisfactory (Positive)	0	3	1	4
Housing Benefits 2023 Health Check	Good (Positive)	0	2	0	2

2.2 All of the above reviews received positive opinions.

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 2 a number of audit work remains in progress, details are provided in table 3 below.

Table 3 –Audits in Progress at the end of September 2023

Directorate	Audit	Status (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	One Council Programme	Fieldwork
	Human Resources	Preparation
	Procurement and Contract Management	Draft
	Risk Management Health Check	Draft
Sustainable Environment and Operations	Disabled Facilities Grant 2022/23	Fieldwork
	Streetscene	Fieldwork
IT Audit	Civica System	Fieldwork
	Payroll System (joint audit with Stoke-on- Trent City Council)	Fieldwork

2.5 As internal audit resources are finite, it is important that the audit plan is continually monitored and reviewed with regard to the needs and priorities of the Authority. Consequently, to coordinate the work of internal audit with that of the Authority it is proposed that the 2023/24 planned audit of Communications be deferred, given a service review of this area is currently in progress.

2.6 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

2.7 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.

2.8 Up to the end of September 2023, 353 recommendations had been made, of which 321 have been implemented, which represents 91%; the target for the implementation of all recommendations is 96% by the end of the financial year. Of the remaining 32 recommendations, 5 have not yet received their due date for completion and 27 are in progress. This shows an approved position on outstanding recommendations following a review by senior management during the quarter. Appendix A provides further details.

2.9 Of the 27 recommendations in progress; 13 relate to audit reports issued in 2023/24; 6 to reports issued in 2022/23, 7 to reports issued in 2021/2022 and 1 to 2019/20. The outstanding 2019/20 recommendation relates to the IT governance report which will be actioned when the ICT strategy is approved by Cabinet in December 2023.

3. Proposal

3.1 The internal audit plan for 2023/24 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 The Internal Audit and Counter Fraud Arrangement via Stoke-on-Trent City Council and the Fraud Hub supports UNSG and Climate Change objectives in a number of ways. Principally, through partnership working and supporting sustainable cities and communities via the correct use of public monies. The following UNSGs are supported.



11. **Key Decision Information**

11.1 Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Approval of the Internal Audit Plan for 2023/24 (Audit and Standards Committee April 2023).

13. **List of Appendices**

13.1 Appendix A – Outstanding internal audit recommendations

14. **Background Papers**

14.1 Internal Audit Plan 2023/24.