

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**CORPORATE LEADERSHIP TEAM'S  
REPORT TO**

**Audit and Standards Committee**  
**05 February 2024**

**Report Title:** Internal Audit Update Quarter 3 2023/24

**Submitted by:** Chief Internal Auditor

**Portfolios:** Finance, Town Centres and Growth

**Ward(s) affected:** All

<b><u>Purpose of the Report</u></b>	<b><u>Key Decision</u></b>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
To report on the position regarding Internal Audit during the period 1 October to 31 December 2023.			
<b><u>Recommendation</u></b>			
<b>That Committee:</b>			
1. Consider the report.			
<b><u>Reasons</u></b>			
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 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 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 3 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 December 2023**

Audit	Level of Assurance	Number of Recommendations			
		High	Medium	Low	Total
Disabled Facilities Grant 2022/2023	Without Opinion	0	0	0	0
Management of Risk Health Check	Satisfactory (Positive)	0	1	2	3
Contract Management	Good (Positive)	0	0	1	1

2.2 All of the above reviews received either positive opinions or were without opinion.

2.3 Opinions for the above reviews are classified as follows:

### 2.4 **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.
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### Customer Satisfaction

- 2.5 At the time of reporting, seven surveys had been issued relating to planned and unplanned audit work for 2023/2024. Of these, two responses had so far been received (28.6%). The overall level of satisfaction is currently 9 (out of a maximum score of 10). By comparison, the overall satisfaction level for 2022/2023 was 9.5 (out of a maximum score of 10).

### Work-in-Progress

- 2.6 At the end of quarter 3 a number of audit work remains in progress, details are provided in table 4 below.

**Table 4 –Audits In Progress at the end of December 2023**

<b>Directorate</b>	<b>Audit</b>	<b>Status</b> (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	One Council Programme	Draft
	Human Resources	Fieldwork
	Sundry Debtors	Preparation
	Equality and Diversity	Preparation
	Decision Making	Preparation
Sustainable Environment and Operations	Streetscene	Draft
Growth and Development	Asset Management	Preparation
IT Audit	Civica System	Draft
	Payroll System (joint audit with Stoke-on-Trent City Council)	Fieldwork
	Back-up and Data Recovery	Fieldwork

- 2.7 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.
- 2.8 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

- 2.9 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.
- 2.10 Up to the end of December 2023, 359 recommendations had been made, of which 334 have been implemented, which represents 93%; the target for the implementation of all recommendations is 96% by the end of the financial year. Of the remaining 25 recommendations, 5 have not yet received their due date for completion and 20 are in progress. Appendix A provides further details.
- 2.11 Of the 20 recommendations in progress; 10 relate to audit reports issued in 2023/24; three to reports issued in 2022/23 and seven to reports issued in 2021/2022. The outstanding 2021/22 recommendations relate to reports issued in respect of Business Continuity (Covid-19 National Emergency); Cyber Security; and Safeguarding, for which there were 1, 2 and 4 outstanding recommendations respectively.

### **3. Recommendation**

- 3.1 The internal audit plan for 2023/24 remains under review to ensure best use of available resources.

### **4. Reasons**

- 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 & Mitigation**

- 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 (UNSDG)**

- 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.