

Agenda

Governance and Audit Committee

Date: Thursday, 25 May 2023

Time: 5.00 pm

Venue: Council Chambers - Civic Centre

To: Mr. G.Chapman, (Chair), Mr D. Reed (Deputy Chair), Dr N. Barry,
Councillors R Mogford, J Jordan, S Cocks, J Harris and G Horton

Item

- 1 Apologies for Absence
- 2 Declarations of Interest
- 3 Minutes of the Last Meeting (Pages 3 - 16)
- 4 Appointment of Chairperson and Vice Chairperson
- 5 Update on Elected Member Related Party Declaration Forms
Verbal Update from the Democratic and Electoral Services Manager
- 6 Call in Strategic Director-Transformation and Corporate and the Head of Finance re Purchasing Cards (Transactions) resulting in an Unsatisfactory Opinion (Pages 17 - 40)
- 7 Update on PTU Taxi Contracts resulting in Second Unsatisfactory Opinion- January 2023 (Pages 41 - 46)
- 8 Update on Call in of Director of Social Services and Head of Service re the internal Audit of Adoption Allowances resulting in a Second Unsatisfactory Opinion- January 2023
Verbal Update from the Acting Chief Internal Auditor
- 9 Treasury Management Year End Report 2022/2023 (Pages 47 - 64)
- 10 Internal Audit Annual Report 2022-2023 (Pages 65 - 82)
- 11 Internal Audit Annual Plan 2023-2024 (Pages 83 - 120)
- 12 Forward Work Programme (Pages 121 - 124)
- 13 Date of Next Meeting
27 July 2023 at 5pm Council Chambers

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Date of Issue: Thursday, 18 May 2023

Draft Minutes

Governance and Audit Committee

Date: 30 March 2023

Time: 5:00pm

Venue: Council Chambers- Hybrid Meeting

Present: Mr G. Chapman (Chair), Dr. N. Barry, Mr D. Reed.
Councillors J. Jordan, R. Mogford and S. Cocks and J. Harris

In attendance: Andrew Wathan (Chief Internal Auditor), Dona Palmer (Audit Manager), Jan Furtek (Audit Manager), Gareth Lucey (Audit Wales), Paul Flint (Performance & Risk Business Partner), Tracy McKim (Head of People, Policy and Transformation), Janice Dent (Policy and Partnership Manager), Meirion Rushworth (Head of Finance), Laura Mahoney (Senior Finance Business Partner), Rhys Cornwall (Strategic Director – Transformation & Corporate Centre), Mark Bleazard (Digital Services Manager), Bridie Edwards (Complaint Resolution Manager) Leanne Townsend (Team Leader-Technical).

Leanne Rowlands (Democratic and Electoral Services Manager), Anne Jenkins (Governance Team Leader), Pamela Tasker (Governance Support Officer)

1. Apologies for Absence

Councillor Horton.

2. Declarations of Interest

None received.

3. Minutes of the Last Meeting

The Minutes of the last meeting were accepted subject to the following:

D Reed referred to grammar mistakes on pages 5, 6, 9, and 11.

Dr Barry referred to the actions table and mentioned that there was no form of tracking the actions from previous meetings. The Chair concurred and said that all rolling actions should be listed and ticked off as they were closed.

The Strategic Director, Transformation and Corporate advised that, actions were passed on to the relevant officers, although many of the items in the action table was recommendations rather than actions and as such there would not an outcome or conclusion other than that the comments have been passed on to the relevant area.

4. Update on Compliments, Comments and Complaints Management Report

The Digital Services Manager introduced the report to the committee advising that this was an update on the report that was brought to Committee in September 2022. As this was an interim report a final updated version would be brought back to Committee in September 2023.

The Complaints Resolution Manager gave a summary of the update, advising that the policy had been revised and signed off by Cabinet.

Some of the improvements to the policy included simplification of the layout and shortening the document.

There was also clarification on the difference in processes followed for Corporate and Social Services complaints.

In relation to corporate complaints, the timescales for raising concerns had been reduced from 12 months to six months since the issue occurred, which was in line with other Local Authorities. The criteria for declining a concern was also detailed in the update, as were the performance monitoring details.

There are four workshops planned for delivery for staff across the Council, which will commence in May 2023.

In relation to 'My Council Services', the software used to record and monitor complaints, compliments and comments has seen an increase in comments, with over 4,000 received; analysis revealed that this was in relation to requests for service. Considering this, two new forms were created, one for refuse and the other for Wastesavers. This meant that requests for service went straight to the service area and were not recorded as a comment. This had resulted in the comments being significantly reduced.

The 'My Council Services' software, used to facilitate webforms and complaints, will be updated to reflect the new service area structures as well as in the annual report, including service area improvements introduced in response to the compliments and complaints received.

In terms of consistency and standardisation of the complaints process, the policy provided a new uniformed approach in complaints handling and the Public Services Ombudsman for Wales was keen that the Council followed the two-step process, which was now firmly in place.

In relation to supporting other service areas, the team had been working very closely to analyse compliments and complaints, using the feedback to inform recommendations outlining how services could be improved for residents.

The policy concerning unacceptable actions by customers will be reviewed with the input of other departments including Health and Safety and Customer Services.

Finally, the team would be looking to support skills around digital inclusion for staff, under the digital strategy, in order to improve digital accessibility for residents.

Committee Member Comments:

- Councillor Cocks considered that the report was thorough and useful and that it was good to see positive comments as well as complaints. Councillor Cocks found the

Newport App useful, however referred to residents who may not have access to computers. Since the budget, there have been some changes regarding making contact with the Council by phone and the hours of availability. Whilst mitigation measures include making computers available and providing training for people on how to use them, how did the complaint system accommodate those who did not have access to a computer or were unable to attend training sessions.

The Digital Services Manager advised that Digital Strategy made specific inclusion regarding digital skills. However, the Council also accepts complaints made verbally, including by phone or face to face. Channel shift, and the overall challenges this brings is part of a wider debate for the organisation, however access to submit compliments, comments and complaints is provided through numerous channels.

- The Chair agreed that this was a good report and demonstrated progress being made and asked for thanks to be passed on to the team. The Chair surmised that the issue was ensuring that the citizens are fully aware of how to raise a complaint. The Chair remarked that councillors, as elected representatives for their ward are also advocates for residents; therefore, if people did have complaints, they could contact their local councillor. The Chair outlined the importance of making it as accessible as possible for the people of Newport to make complaints, compliments, and comments.

The Chair commented on the presentation of the six-month report, and figures which were referred to but not included in the report. The Chair requested that the Committee receive a six-monthly report to include trend data. The Chair felt that this would help to ensure that appropriate action was being taken in response to trends and issues identified in the data. The Chair summarised that the outcomes of the complaints were the most important part as this is what benefits residents. The Chair posited that this also helps to ensure that the public is getting value for money for services with the resources available.

The Strategic Director, Transformation and Corporate advised that the format could be investigated however, the Committee needed to be mindful that it did not stray into role of the Performance Scrutiny Committees looking at the performance of those services. The Governance and Audit Committee role was around the application of the policy. However, the six-month review was a legitimate question, and this could be reviewed.

The Digital Services Manager advised that the other point to make was the period of transition, the figures would be slightly misleading because they were not complete. The reason being that the complaints team at one point was an extra step in the chain rather than it going to directly to a service, it was passed on to the complaints team. That was a flavour of changes going forward and this would have an impact on the figures.

- Councillor Jordan also queried telephony services and mentioned that in Torfaen, if a customer contacted them by phone, they would be immediately transferred to a back office where someone would assist in filling out an online form. The Digital Services Manager confirmed that the Contact Centre service uses the same form to submit complaints to services as those used by residents completing their own forms online. So, when a customer call Newport to raise a complaint, the Contact Centre Advisor is completing a form on their behalf.

Resolved:

The Governance and Audit Committee considered the updates within the report and noted their assurance of progress to date.

5. Corporate Risk Register

The Council's Corporate Risk Register monitored those risks that may prevent the Council from achieving its Corporate Plan or delivering services to its communities and service users in Newport. At the end of quarter three, October to December, there were 14 risks recorded in the Corporate Risk Register that were considered to have a significant impact on the achievement of the Council's objectives and legal obligations. Overall, there were seven severe risks (risk scores 15 to 25); seven Major risks (risk scores seven to 14); that were outlined in the report.

In comparison to the quarter two Corporate Risk Register, there were no new or escalated risks, and no risks were closed. One risk, related to Ash Die Back had decreased its risk score due to the mitigation in place: with 13 risks remaining the same. No risks were escalated or de-escalated in quarter three. As set out in the Council's Risk Management Policy, Cabinet reviewed the Corporate Risk Register on a quarterly basis ensuring procedures were in place to monitor the management of significant risks. The Register is likely to change following the approval of the new Corporate Plan and priorities for service delivery. The Policy and Partnership Manager highlighted that in quarter three the risk plan was reassessed differently based on feedback from the committee. Additionally, service areas were asked to consider the external impacts of the Council's Medium Term Financial Plan (MTFP) alongside the increased demand of pressures on the services risk and the cost-of-living increase which impacted on businesses, residents, and the Council. Risk Assessments were reviewed by the senior management team and target risk scores were adjusted to reflect the challenging position. The Council is tolerating more risks due to the current situation. The senior management team continue to closely monitor and reassess these risks regularly and monitored the actions being taken.

Committee Member Comments:

- Dr N Barry thanked the Policy and Partnership Manager for the clear introduction and paper. Dr Barry realised that this was a retrospective report but was aware it was approaching the next financial year and asked if the corporate plan would be ready by 1 April. The Performance and Programme Manager advised that the corporate plan was approved in November 2022 and was available online.
- Councillor Cocks referred to page 46 of the report pack and the budget, where it referred to contract inflation, and asked what the level of risk was involved; what costs were already fixed, and whether contractors could raise their prices in relation to inflation. The Head of Finance advised that the risk stated for Quarter 3 reflected the uncertainty concerning potential cost increases and challenges that would create for the budget.

Councillor Cocks asked if this related to existing contracts. The Head of Finance advised that it was; energy costs had the highest inflation, but this had been mitigated by the purchase being made in the final quarter of the financial year which had turned out to be the best time to purchase pricewise. However, the general comments applied to capital projects as well as revenue due to the uncertainty of inflation. The general risk concerned setting the budget in an uncertain environment, however 60% of the expenditure was from the last quarter of the financial year which was had turned out to be the optimum time to buy.

- The Chair asked for clarification on the retrospective report from October to December, and how the budget setting process could have taken the circumstances of February/March into consideration. The Performance and Programme Manager confirmed that all risk owners and heads of service had reassessed their risks and at that

point of time they would be going through budgets and assessing the forecast spend against expected budgets. There were some knowns and unknowns, this was why there may be an increase in the target risk score at that time. This was an ongoing process and risk scores are constantly reviewed; the role of the executive board was to challenge if this was a fair reflection of the risk.

- Councillor Cocks referred to Page 65 of the report relating to schools; he queried whether it was correct that the only risk identified was cost pressures that may not be met due to increased budget deficit. Whereby as a governor, Councillor Cocks had seen cutbacks in teaching and school resources and wondered why this did not feature in the report, as one of the criteria for risks included potential failure to deliver strategic objectives. The Strategic Director, Transformation and Corporate, advised that the committee's role was to give assurance that the appropriate processes were in place; if the committee felt that there were some issues that were not reflected in the register, then this would be fed back to the service area for review. The Strategic Director confirmed that this would be added to the recommendations log for highlighting to the Chief Education Officer.
- Councillor Jordan referred to page 27, new risks since Quarter 2 and page 34 of the report pack gave a breakdown of new risks but it did not advise what the new risks were. The Performance and Programme Manager would provide the information to the committee as also requested by the Chair, however a lot of the risks were at service level, not strategic, and were not significant enough to be raised in the corporate risk register. The Strategic Director, Transformation and Corporate explained that the Governance and Audit Committee looked at the corporate risk register signed off by Cabinet. The other risks were included in service plan updates that went through Performance and Scrutiny Committees under the Council's governance framework.
- D Reed referred to page 65 of the report pack and asked what happened if schools could not set appropriate budgets. The Head of Finance advised that whilst officers built the budgets using as many certainties as possible, not everything can be known in advance. If the assumptions made at the time turned out to be incorrect then this would create an in-year budget challenge to manage. The Head of Finance went on to say that there was always a possibility that some of the assumptions may not be correct. Whilst the outcome of pay awards will have an impact in terms of potential further challenges within school budgets, but this will not be a known factor for some time. Until governing bodies had met and agreed their budget following pay agreements, the outcome will not be confirmed. However, schools factored onto the corporate risk register is an assurance that the process was working.
- The Chair queried how long the school would have to resolve the issue if it was to go into a negative situation, and whether the Council has a policy in place to allow the school to be in a negative situation for two to three years with the provision that they must use this time to get back to a balanced budget. The Chair expressed concerns that the pay awards could lead to many schools being in negative situation in the next 6-9 months. The Head of Finance advised that proof of the risk management process working was evidenced by this issue being on the register as a challenge and concern. The Head of Finance went on to confirm that there was a protocol and framework for schools concerning licenced deficits. Furthermore, school reserves had been increased over the last two to three years and it was expected that those reserves would be fully utilised. The key was to understand if this situation was a one-off or could the base budget not; the next step was working closely with schools to try to resolve this. The Head of Finance stated that school expenditure was the biggest budget area within every council and whilst there were challenges ahead, the process was robust.

- D Reed referred to the schedule on page 44, which was a very helpful element of the report, and provided context and assurance concerning where the risk was tracking and what was expected.

Resolved:

The Governance and Audit Committee considered the contents of the report and assessed the risk management arrangements for the Authority, providing any additional commentary and/or recommendations to Cabinet, this included the comments discussed in relation to Education to be fed back to Cabinet.

6. Lessons Learned 2021/22: Accounts Closedown and Financial Statements Preparation

The Head of Finance explained that the report presented the findings of an initial lessons learned review carried out by finance officers following the 2021/22 accounts closedown. The report provides an assessment on the findings of the lessons learned review, the plans in place to implement actions identified for 2022/23, and the key risks to the closedown process for 2022/23. The report showed full conversations with Audit Wales and listed both smaller concerns and bigger issues identified.

The Senior Finance Business Partner (Chief Accountant) highlighted that following the closedown of the 2021/22 accounts, a lessons learned review was undertaken to put into place further improvements for future closedown processing. The outcome of the lessons learned review was considered along with the outputs from the audit of the 2021/22 accounts; three specific recommendations were given high priority to ensure improvements were delivered for 2022/23 closedown.

Committee Member Comments:

- D Reed referred to the Related Party relationships, page 76 of the report pack and that it was the second year that Audit Wales had flagged this as a weakness. D Reed queried whether this was difficult for councillors to complete. The Senior Finance Business Partner (Chief Accountant) considered that the election last year might have been the reason that all were not returned. D Reed stated that this response suggested that it would not be as difficult to see a better response in the next year, and more robust measures to ensure completion would be welcomed.

D Reed also referred to the Accruals, on page 73 of the pack, that stated most schools were not on the council finance system for purchase orders, and asked what action was being taken to address this. The Senior Finance Business Partner (Chief Accountant) advised that there is a new finance system being implemented which should be going live by end of next year, and officers would be working with schools to bring them onboard; all schools were welcoming of the new system.

D Reed asked if there was there an action plan that reference the topics highlighted in the lessons learned report, in a similar way as risk mitigating actions are recorded. The Senior Finance Business Partner (Chief Accountant) mentioned that there is nothing formalised at present, but this was something that would be reviewed on an ongoing basis, and part of this would be looked at by Audit and Audit Wales. The Senior Finance Business Partner confirmed that there was a document that formed the basis of this report which would also be part of the review. The Head of Finance thanked D Reed for his comments, which would be taken on board, as an action plan would be a simple but effective tool to support completion.

- The Chair agreed with D Reed's comments and suggested that whilst there was a lot of detail in the report, it needed a simpler format, and he felt that an action plan was essential.

The Chair referred to assurance regarding capacity; Information from Third Parties - transport and Leasing and IFRS. The Chair stated that it was pleasing to hear that there is an additional member of staff, but still further assurance was needed, as there may be a gap in the process that could be filled through an action plan.

Finally, the Chair mentioned the Related Party forms not being handed in by councillors and whether this should be enforced. The Chair was concerned that Audit Wales had picked this up on a second occasion. If this was also an issue in the future, the Chair stated that he would write to the Leaders of each group to ensure that these forms were being completed. The Head of Finance mentioned that the forms were being issued with a submission deadline in late April and any councillors outstanding would have the opportunity to complete their forms following the April Council meeting.

Resolved:

The Governance and Audit Committee noted the lessons learned process that was carried out to date and the planned improvement following this review.

7. Audit Wales NCC Outline Audit Plan 2023

The outline plan document was prepared in accordance with statutory functions carried out by Audit Wales. The Outline Audit Plan specified the statutory responsibilities Audit Wales has as an external auditor and the obligations that must be fulfilled under the Audit Code of Practice.

Members of the Committee might have noted the slightly different format by comparison to the report they considered last year, the difference being due to this document being an outline plan and not the final plan, which would be presented again in the summer.

The Audit Wales Officer provided the Committee with the headlines of the Outline Plan. A detailed Audit Plan would be shared later in the year following the completion of planning work. This would set out the estimated audit fee and the work that was intended to be undertaken by the Audit Team to address the audit risks identified and other key areas of audit focus during 2023.

The document also outlined the Audit timeline of key dates for delivery of audit work and planned outputs, along with the key changes to ISA 315 and the potential impact on Newport City Council. This represented a fundamental change in planning the risk assessment process as set out in detail in Appendix 1.

In terms of main headlines of this outline plan, page 85 of the report pack set out the fact that Audit Wales could not yet confirm the estimate for the year. Reference was made to the published fee scheme, which was approved by the Senedd earlier this year; the scheme had exceeded expectations of fees this year due to the introduction of ISA 315, which caused an increase in the region of 12 to 18%. The exact fee estimate would be confirmed later in the year, and only affected the financial work. There was also an element of inflationary increase that would follow in due course.

Key team members were also set out in the document. The committee was asked to note the new Audit Lead, Katherine Watts, who was welcomed to the team.

The proposed audit timeline concerning the financial audit proposed to complete the audit and certification of accounts by the end of November 2023. This timescale was recently communicated to Section 151 officers throughout Wales and Audit Wales are in discussion with finance teams to discuss the practicalities of this approach.

In terms of the performance audit programme, the timelines were to be confirmed at this stage.

Committee Member Comments:

- Councillor Cocks considered that most Local Authorities were experiencing a similar state of financial crisis. Councillor Cocks went on to credit the officers of the council for putting together a budget that permitted Council services to continue. Councillor Cocks remarked that this was perhaps not the optimal time to increase audit demands given the current circumstances. The Audit Wales Officer appreciated the comments made and confirmed that they understood the financial pressures faced by Local Authorities. The issue faced by Audit Wales was the introduction of the new ISA 315, therefore the new audit requirements were not a choice, and the timing was not ideal under the circumstances. However, the Audit Wales Officers confirmed that Audit Wales had to comply with new standards and the additional work that brought, but fully understood and empathised with the points made by the Councillor.
- The Chair thanked the Audit Wales Officer for his presentation and awaited the update in due course the outcomes of the Thematic Review regarding financial sustainability in Local Government.

Resolved:

The Governance and Audit Committee noted the Audit Wales NCC Outline Audit Plan for 2023.

8. Work Programme

The purpose of the forward work programme is to ensure organisation and focus on relevant enquiries through the Governance and Audit Committee function. This report presents the current work programme and detailed the items due to be considered at the Committee's next two meetings.

The Chair referred to 25 May meeting and whether the Director of Social Services could provide a written update for this Committee, in relation to the Passenger Transport Unit taxi contract; the Chair requested comments from the Director of Social Services and Chief Education Officer for May's Committee.

The Chief Internal Auditor advised the Chair that the Director of Social Services had provided a letter which would be shared with Committee members, but he was still awaiting comments from the Chief Education officer and would follow this up. The Chair suggested that both comments be brought to the next meeting rather than circulated individually.

D Reed mentioned that these issues could be picked up in the action table.

Resolved:

The Governance and Audit Committee endorsed the proposed schedule for future meetings, confirmed the list of people it would invite for each item and indicated whether any additional information or research was required.

Finally, the Chair and the Head of Finance wanted to thank Andrew Wathan, Chief Internal Auditor and Jan Furtek, Audit Manager for their service over the years.

The Chair thanked Andrew and Jan for their hard quality of work, congratulated them on their new roles, and wished them luck on their future endeavours.

Andrew Wathan thanked the committee.

9. Date of Next Meeting

The next meeting would take place on 25 May 2023 at 5pm.

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Date	Item/Raised by	Subject	Responsible Officer	Outcome
30/03/23	Agenda Item: 4	<p>Update on Compliments, Comments and Complaints Management Report</p> <p>Update provided on a six-monthly basis to the Committee. Scrutiny of performance, rather than application of policy, will be conducted through Performance Scrutiny Committees.</p>	Complaints Resolution Manager	To be provided to GAC December 2023
30/03/23	Agenda Item: 5	<p>Corporate Risk Register</p> <ol style="list-style-type: none"> 1. The Chief Education Officer was requested to provide a response in relation to Page 65 of the report pack concerning the failure to deliver the strategic objectives due to the cost pressures in schools and increased budget deficit. 2. The Performance and Programme Manager to provide a more detailed breakdown of the service level risks set out in Appendix 2 to the Committee. 	Chief Education Officer Performance and Programme Manager	
30/03/23	Agenda Item 6:	<p>Lessons Learned 2021/22: Accounts Closedown and Financial Statements Preparation</p> <p>An action plan be incorporated in future reports to highlight all those items that were being adopted.</p>	Senior Finance Business Partner (Chief Accountant)	
26/01/23	<p>Agenda Item: 3</p> <p>Call In the Strategic Director of Environment and Sustainability and Head of Service re the PTU Taxi Contracts</p>	<ol style="list-style-type: none"> 1. That Education is contacted to ensure that the process for regular monitoring and escalating issues is clearly defined and mutually understood. 	Head of City Services	

	resulting in Second Unsatisfactory Opinion	<ol style="list-style-type: none"> 2. That the lead time given by the CTX system flagging up when a DBS check was due for renewal is confirmed. 3. That an internal working group is considered for further development to formalise the collaborative approach to monitoring and problem solving. 4. A written update report be provided to the Committee in 3 months time to provide an update to include; up to date facts and figures, DBS Checks for drivers and escorts and an indication of what continuation training was in place 5. The Strategic Director and Head of Service attend Committee in 6 months time to provide a further update. 	<p>Head of City Services</p> <p>Head of City Services</p> <p>Head of City Services</p> <p>Strategic Director for Environment and Sustainability / Head of City Services</p>	
26/01/23	Agenda Item 4: Update on Call in of Director of Social Services and Head of Service re the internal Audit of Adoption Allowances resulting in a Second Unsatisfactory Opinion- October Committee 2022	<ol style="list-style-type: none"> 1. Director of social services to attend the May Committee to give an update to Committee on how the new process was operating and how the team was working. 	Director of Social Service	Follow up audit report in draft – to be tabled for GAC agenda in July 2023

26/01/23	Agenda Item 6: Corporate Risk Register (Quarter 2)	<p>1. Risk around children's service and staff sickness appear to be an issue throughout Wales. Collaborative work with other Welsh authorities or the WLGA may help to mitigate this. Regarding the Medium Term Financial Plan; the Council may consider stimulating the local market to help address issues regarding out of county placements. Whilst these questions are not relevant for Governance and Audit Committee, they will be reported back to the relevant Head of Service.</p>	Strategic Director for Transformation and Corporate	
26/01/23	Agenda Item 7: Audit Wales and Regulatory Bodies Six Month Update	<p>1. Evidence of the process underpinning the action plan will be shared with the Committee as a link to the published plan; scrutinisation of the plan itself will be carried out in other committees as part of the governance processes.</p>	The Policy and Partnership Manager	
26/01/23	Agenda Item 8: Internal Audit Plan – Progress (Quarter 3)	<p>The Chair requested that the minutes of the committee be fed back to Cabinet regarding a reduction in audit staff, and that the Head of Service reconsider his decision under their delegated powers. This was not a unanimously held opinion.</p> <p>That the Strategic Director, Transformation and Corporate and the Head of Finance be invited to the next meeting to provide an update regarding the investigation into Purchase Card usage.</p>	Strategic Director for Transformation and Corporate Strategic Director for Transformation and Corporate / Head of Finance	Comments shared with Cabinet – CLOSED On agenda for 25/05/23 CLOSED

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Report

Governance & Audit Committee

Part 1

Date: 25th May 2023

Subject **Unsatisfactory Audit Opinion
Governance & Audit Committee Call In
Purchasing Card (P-Card) Transactions Audit 2022/23**

Purpose The Strategic Director (Transformation & Corporate) and the Head of Finance have overall responsibility for the P-Card system operated within Newport City Council (NCC).

For Members of the Council's Governance & Audit Committee to:

- i) Consider the explanations and assurances provided by the Strategic Director and the Head of Service in relation to the concerns raised by Internal Audit for P-Card Transactions, that improvements have been made in service provision following an Unsatisfactory audit opinion.

Author Acting Chief Internal Auditor

Ward General

Summary Following an **Unsatisfactory** Internal Audit opinion in relation to P-Card Transactions, the Strategic Director and the Head of Service responsible for the P-Card system have been invited into Governance & Audit Committee to provide assurances that appropriate improvements within service provisions and the control environment have been made.

Proposal That Members of the Governance and Audit Committee:

- i) accept the explanations and assurances of the Strategic Director and the Head of Service, which will be confirmed via the follow up internal audit planned for 2023/24

or

- ii) don't accept the explanations and assurances provided and escalate concerns to the Chief Executive and Executive Board.

Action by Governance & Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People, Policy & Transformation

Signed

Background

1. The Public Sector Internal Auditing Standards requires the Chief Internal Auditor to present a formal annual report to the Governance & Audit Committee which includes audit opinions issued and to disclose any qualifications to the overall opinion.
2. The Strategic Director for Transformation & Corporate and the Head of Finance have overall responsibility for the P-Card system operated within NCC. In relation to concerns raised via the P-Card Transactions audit, they have been invited into Governance & Audit Committee to:
 - a) Explain why there were weaknesses in control
 - b) Provide assurances that the card users fully understand their responsibilities for using the card and that the concerns raised are minimised going forward
 - c) Provide assurances on the progress of the implementation of the agreed management actions taken to demonstrate improvement in the control environment
 - d) Include a timeline as appropriate.
3. Internal Audit (IA) undertake a review of P-Card Transactions annually. Work undertaken as part of the 2022/23 IA Plan, relating to 2021/22 transactions, resulted in an **Unsatisfactory** audit opinion. The draft memo was issued to management in November 2022 and the final memo issued at the end of March 2023.
4. A sample of transactions was reviewed from across all service areas to ensure that cardholders had adhered to the Purchasing Card Policy, had not used their card for transactions that were prohibited and were able to justify that the spend was appropriate.
5. This audit completed a high-level review across all transactions with a sample of 227 transactions totalling £893,889 chosen for detailed testing. This represented 18% of the total expenditure and approximately 1% of the total number of transactions. As a comparison, 141 transactions totalling £517,493 were selected for testing in the previous internal audit review (2021/22).
6. Despite reminders, some cardholders failed to respond to the requests made by Internal Audit for either a copy of the receipt or to provide an explanation as to why a transaction had been made. At the time of issuing the final memo there were 29 transactions involving 8 cardholders where the information requested remained outstanding.
7. The main weaknesses identified from this audit are shown below:

1.	<i>Cardholders have failed to review transactions as per the Purchasing Card Policy</i>
2.	<i>Full, legible and detailed receipts were not held for all transactions made</i>
3.	<i>VAT had been incorrectly applied to a number of transactions. VAT was not always appropriately reclaimed or supported by a full VAT receipt</i>
4.	<i>A number of transactions had been made which were deemed by the Purchasing Card Policy as being 'prohibited'</i>
5.	<i>Purchases had been made which were deemed by the auditor to be an inappropriate use of public funds</i>
6.	<i>Transactions had not always been administered in line with the required financial accounting principles relating to pre-payments</i>
7.	<i>Purchases had been made by persons other than the designated cardholder</i>

8. The action plan showing agreed management comments and actions is shown at **Appendix 1**.
9. Senior Management action taken since the memo was issued is shown at **Appendix 2** and **Appendix 3**.

Financial Summary

10. There are no material financial issues related to this report, although appropriate use of the P-Card, provision of all relevant documentation and correct classification of VAT could result in cost savings in the future.

Risks

11. If management action is not taken to improve the control environment and increase service delivery resilience, service users may not receive an efficient and effective service, the number of complaints may increase and could lead to reputational damage.

Risk Title / Description	Risk Impact score of Risk if it occurs* (H/M/L)	Risk Probability of risk occurring (H/M/L)	Risk Mitigation Action(s) What is the Council doing or what has it done to avoid the risk or reduce its effect?	Risk Owner Officer(s) responsible for dealing with the risk?
Poor internal controls could impact on effective and efficient service delivery, increase in complaints from service users and negative impact on reputation.	M	M	The Strategic Director has agreed a way forward to support service delivery. Internal Audit will undertake a follow up audit within 6 months to verify that agreed action has been taken to improve service delivery.	Strategic Director (T&C)
Potential mis-use of the P-Card could result in fraudulent activity with a negative impact on reputation and finances.	L	L	<p>Policy is being reviewed and with cardholders having to resign to accept its terms and conditions.</p> <p>The Executive Board and CMT have re-enforced the need for cardholders and approvers to comply with the policy and use the card appropriately.</p> <p>The Procurement Team and the Internal Audit Team will continue working closely to flag up any concerns identified with transactions.</p>	<p>Head of Finance</p> <p>Exec Board / CMT</p> <p>Head of Finance</p>

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

12. Giving Management assurance on the systems in operation gives them confidence that there is sound financial management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. Better service provision and looking after the public pound makes our City a better place to live for all our citizens, hence delivering an ambitious, fairer, greener Newport for everyone. (Corporate Plan 2022-2027).

Options Available

13. This is a factual progress report and therefore there are no specific options to be considered; there are no decisions to be made further to the proposals noted above.
14. Members of the Governance & Audit Committee are asked to either accept the assurances from the Strategic Director and Head of Service or refer their concerns onto the Chief Executive and Executive Board.

Preferred Option and Why

15. Members of the Governance & Audit Committee to decide.

Comments of Chief Financial Officer

16. The purchase of goods and services is a significant spend for the Council and a small, but increasing part of that is transacted through the Council's 'BarclayCard' corporate card system. The process has appropriate controls associated with it but does depend on card users following the Council's card use policy and managers/approvers managing the controls robustly in reviewing and authorising transactions made and managing any issues resulting from that. This is because unlike the Council's normal ordering/payment process, a large part of the control / review takes place after transactions have already taken place.

The audit has highlighted problems in respect of the above and robust management expectations have been made clear in relation to use of the cards and managers / approvers roles. We have reviewed the process and card system and have introduced new training, additional oversight arrangements, and updated the Council's policy to reinforce compliance around subjective and potential non-compliant spend.

Comments of Monitoring Officer

17. There are no specific legal issues arising from the report. As part of its role in monitoring the effectiveness of the Council's systems of internal control and financial management, Governance & Audit Committee oversee the implementation and outcomes of the internal audit programme and, where necessary, can review and make recommendations regarding unsatisfactory audit reports. The Committee can seek assurances on the adequacy of responses to internal audit advice, findings and recommendations and will monitor implementation and compliance with agreed action plans. In this case, there has been an unsatisfactory audit opinion issued in relation to the administration of the P-Card Transactions and the relevant Head of Service and Strategic Director have been invited to attend the meeting to explain the situation and outline the management action that will be taken to address the issues concerned. If the Governance & Audit Committee are not satisfied with the management responses and consider there to be residual risks in terms of the P-Card Transactions processes, then the Committee can escalate those concerns through to the Chief Executive and the Executive Board. As this unsatisfactory audit report

relates to operational management issues, then it is not considered appropriate for any concerns to be escalated through the Cabinet or Cabinet Member as they do not involve strategic policy issues.

Comments of Head of People, Policy and Transformation

18. As part of the Well-being of Future Generations Act (2015) and its corporate governance arrangements it is necessary to ensure that the Council's functions are operating effectively and efficiently to manage its governance, internal control and risk management arrangements in the delivery of the Corporate Plan and its statutory duties.

This report presents a review of the Internal Audit activity during the period concerned and the outcomes of completed audit reviews. The Council is in the process of reviewing the supporting policy, training and communication to staff on the appropriate use of P-cards and further setting expectations. All of which will be completed in the immediate future. Should a review of P-card transactions identify any potential employee relations matters, this will be investigated in line with the Councils employment policies and supported with appropriate actions.

Local issues

19. N/A

Scrutiny Committees

20. N/A

Equalities Impact Assessment and the Equality Act 2010

21. The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
22. All audits are undertaken in a non-discriminatory manner and key equalities issues identified under the scope of the audits will be identified as part of the audit reports and management discussions. As this is a report on the call-in relating to audit opinions there is no requirement for an Equality Impact Assessment.

Children and Families (Wales) Measure 2010

23. N/A

Wellbeing of Future Generations (Wales) Act 2015

24. The role of Internal Audit supports the Council in complying with the principles of the Wellbeing Act and providing assurance on the activities undertaken across the Council. In compiling this report the principles of this Act have been considered:

Long term - The Internal Audit workload is based on an annual operational plan supported by a 5 year strategic plan that is aligned to the Council's Corporate Plan.

Prevention - Internal Audit identify strengths and weaknesses within the control environment of Newport City Council; addressing the weaknesses gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.

Integration - Internal Audit opinions provide an objective opinion on the adequacy of the Council's corporate governance, internal control and risk management environment in operation and support sound stewardship of public money.

Collaboration - Internal Audit work in collaboration with operational managers to develop an appropriate action plan in order to address identified concerns.

Involvement - Heads of Service and Senior Managers are invited to contribute to the audit planning process each year in order to prioritise audit resources. The involvement of the Governance & Audit Committee provides assurance and oversight of an effective internal audit provision to carry out its duties.

Consultation

25. N/A

Background Papers

26. 2022/23 Approved Internal Audit Plan, 2022/23 Internal Audit quarterly reports.

APPENDIX 1

Agreed Final Action Plan for P-Card Transactions Audit 2022/23

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
1. Cardholders have failed to review transactions as per the Purchasing Card Policy.					
1a	Cardholders who have not reviewed their transactions are advised of their responsibilities to submit a receipt or invoice in support of their purchases. Formal action is taken where cardholders fail to review or provide valid VAT receipts in relation to their spend.	<p>1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and provide valid receipts for each transaction and to review each month. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.</p>	<p>eProcurement Team Leader (CT)</p> <p>All Heads of Service & Senior Managers</p>	<p>February 2023</p> <p>CMT meetings in Dec 2022 and Jan 2023</p> <p>On-going</p>	<p>COMPLETED</p> <p>COMPLETED</p>

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
1b	Card Supervisors are advised of their responsibilities regarding making appropriate checks to ensure that transactions are properly recorded and compliant with the terms of the Purchasing Card Policy.	<p>1. All card supervisors informed by email of the requirement to fully comply with the P-Card Policy and provide valid receipts for each transaction and to review each month. Card supervisors to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card supervisors are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.</p>	<p>eProcurement Team Leader (CT)</p> <p>All Heads of Service & Senior Managers</p>	<p>February 2023</p> <p>CMT meetings in Dec 2022 and Jan 2023</p> <p>On-going</p>	<p>COMPLETED</p> <p>COMPLETED</p>

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
1c	Cardholders are reminded of the need to input a full description of the purchase including the business need if that is unclear from the items purchased.	<p>1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and provide full descriptions of purchases made, including business need where appropriate. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.</p>	<p>eProcurement Team Leader (CT)</p> <p>All Heads of Service & Senior Managers</p>	<p>February 2023</p> <p>CMT meetings in Dec 2022 and Jan 2023</p> <p>On-going</p>	<p>COMPLETED</p> <p>COMPLETED</p>
<p>2. Full, legible and detailed receipts were not held for all transactions made.</p>					

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
2a	Cardholders are advised of the need to obtain full, itemised and detailed receipts or invoices in support of purchases made.	<p>1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and provide valid receipts for each transaction and to review each month. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.</p>	<p>eProcurement Team Leader (CT)</p> <p>All Heads of Service & Senior Managers</p>	<p>February 2023</p> <p>CMT meetings in Dec 2022 and Jan 2023</p> <p>On-going</p>	<p>COMPLETED</p> <p>COMPLETED</p>
<p>3. VAT had been incorrectly applied to a number of transactions. VAT was not always appropriately reclaimed or supported by a full VAT receipt.</p>					

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
3a	Cardholders are advised of the need to correctly apply the VAT element to their purchases on the Barclaycard system and to only reclaim VAT where a valid VAT receipt or invoice has been obtained.	<p>1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and apply VAT correctly and only where a valid receipt is obtained. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council’s Capability Policy, and if necessary Disciplinary Policy.</p>	eProcurement Team Leader (CT)	February 2023	COMPLETED
			All Heads of Service & Senior Managers	CMT meetings in Dec 2022 and Jan 2023 On-going	COMPLETED

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
3b	Cardholders are advised to obtain a VAT receipt or invoice where their purchase includes a VAT element which can be legitimately reclaimed.	1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and a valid VAT receipt is obtained. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.	eProcurement Team Leader (CT)	February 2023	COMPLETED
		2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.	All Heads of Service & Senior Managers	CMT meetings in Dec 2022 and Jan 2023 On-going	COMPLETED
3c	Cardholders are provided with further guidance to explain what constitutes a valid VAT receipt/invoice for the purposes of reclaiming VAT.	A training module will be developed with HR, hopefully available via NHS eLearning Hub. All card users will be required to undertake training within a short period following go live, and new card applicants will need to complete training prior to card issue.	eProcurement Team Leader (CT)	April 2023	TRAINING MODULE GOING LIVE 15 th MAY 2023, ALL CARD HOLDERS TO COMPLETE BY 23 rd JUNE 2023. REFRESHER TRAINING REQUIRED EVERY 2 YEARS.

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
3d	Cardholders are advised against reclaiming VAT where no VAT is payable or where the purchase is zero-rated for VAT purposes.	All card holders informed by email of the requirement to fully comply with the P-Card Policy around VAT and not to reclaim in error. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.	eProcurement Team Leader (CT)	February 2023	COMPLETED
3e	Card supervisors are advised to only approve transactions where the VAT element has been correctly applied and where a valid VAT receipt or invoice has been uploaded by the cardholder to the Barclaycard system.	All card supervisors informed by email to only approve transactions where the VAT element has been correctly applied and where a valid VAT receipt or invoice has been uploaded by the cardholder to the Barclaycard system. Supervisors to request corrections with cardholders.	eProcurement Team Leader (CT)	February 2023	COMPLETED
3f	The accountancy team are advised of the amounts of VAT that have been identified as being over claimed which should be recharged to the relevant service area as appropriate.	Where Procurement identify any instances through monthly spot checks, we will make the necessary amendments. Where Internal Audit identify any instances through the annual transactions audit, they will advise VAT helpdesk.	eProcurement and Audit Teams	On-Going	COMPLETED / ON-GOING
3g	The accountancy team are advised of the amounts of VAT that have yet to be reclaimed where a valid VAT receipt or invoice was held by the service area.	All card holders informed by email that the accountancy team are advised of the amounts of VAT that have yet to be reclaimed where a valid VAT receipt or invoice was held by the service area.	eProcurement Team Leader (CT)	February 2023	COMPLETED

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
3h	In future, appropriate action is taken against cardholders and/or card supervisors where no VAT receipt has been obtained or incorrectly processed on the Barclaycard Spend Management System.	The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.	All Heads of Service & Senior Managers	CMT meetings in Dec 2022 and Jan 2023 On-going	COMPLETED
4. A number of transactions had been made which were deemed by the Purchasing Card Policy as being 'prohibited'.					
4a	Action is taken to recover the cost of parking / speeding fines from those employees who are identified as driving the relevant vehicle at the time of the offence.	The review of the Purchasing Card policy will include that individual card holders are not permitted to use cards for payment of fixed penalty notices. All notices must be paid for via the Fleet Management team. Communication to be issued to all staff regarding parking / speeding tickets when using a vehicle on Council duty and the procedures which must be followed.	Service Manager Procurement & Payments (RL) Senior HR & OD Business Partner (HM) Fleet Management Team	March 2023	COMPLETED WORK IN PROGRESS – New process to be agreed. T&S Policy to be updated and comms to be issued. Implementation Date: June 2023

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
4b	A formal procedure is established and communicated to all employees / fleet drivers / managers regarding the actions required to be undertaken if a Fixed Penalty Notice or Notice of Intended Prosecution is received in relation to an NCC fleet vehicle.	<p>Discussion to be held with the Fleet Management team regarding establishing a policy / procedure for recovery of fines from the driver. Any authorisation for non-recovery to be sought from the respective Head of Service.</p> <p>Communication to be issued to all staff regarding parking / speeding tickets when using a vehicle on Council duty and the procedures which must be followed.</p>	<p>Senior HR & OD Business Partner (HM)</p> <p>Fleet Management Team</p>	April 2023 (following agreement of new P-Card policy)	<p>WORK IN PROGRESS</p> <p>– New process to be agreed. T&S Policy to be updated and comms to be issued.</p> <p>Implementation Date: June 2023</p>
4c	Cardholders are reminded that the purchasing card is not to be used to make cash withdrawals under any circumstances.	The ability to withdraw cash is prohibited on all cards by default. No request for this facility will be considered, unless supported by authorisation by Head of Service or Head Teacher, and only where a valid reason can be justified.	eProcurement Team Leader (CT)	Already in place	COMPLETED
4d	Cardholders are reminded that the purchasing card is not to be used to make taxi bookings unless agreed with the Passenger Transport Unit in advance.	All card holders informed by email that the purchasing card is not to be used to make taxi bookings unless agreed with the Passenger Transport Unit in advance.	eProcurement Team Leader (CT)	February 2023	COMPLETED
4e	Cardholders are reminded that the Council's corporate contract for business travel should be used unless agreed with the Procurement team in advance.	All card holders informed by email that the Council's corporate contract for business travel should be used unless agreed with the Procurement team in advance.	eProcurement Team Leader (CT)	February 2023	COMPLETED

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
4f	A decision to be made on what constitutes a business need for the purchase of gift vouchers and how this is approved by the respective Head of Service / Senior Manager / Procurement.	The purchase of gift cards will become a prohibited purchasing card transaction within the revised policy. All gift voucher purchases should be made via purchase order using the established contract with ICOM in future.	Service Manager Procurement & Payments (RL)	February 2023	COMPLETED
4g	Staff are made aware of existing contract arrangements which exist for the purchase of gift vouchers.	All card holders informed by email of existing contract arrangements which exist for the purchase of gift vouchers.	eProcurement Team Leader (CT)	February 2023	COMPLETED
4h	Where gift vouchers are purchased, appropriate controls are put in place with regards to their security and subsequent use by officers of the Council.	The revised P-Card Policy will prohibit the purchase of gift vouchers by credit card, so this will negate the need to put in appropriate controls. All business based gift vouchers must be purchased through ICOM, the corporate contract for which a PO can be raised.	Service Manager Procurement & Payments (RL)	February 2023	COMPLETED
5. Purchases had been made which were deemed by the auditor to be an inappropriate use of public funds.					

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
5a	All cardholders are advised of the proper use of the Council's purchasing card and the expectation that it should be used appropriately in accordance with the published guidance, which is there to support staff and protect public monies. All cardholders are reminded that NCC reserves the right to cancel purchasing cards and/or take disciplinary action against employees for the failure to adhere to the prescribed policy.	<p>1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and informed of the consequences for non-compliance. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.</p>	<p>eProcurement Team Leader (CT)</p> <p>All Heads of Service & Senior Managers</p>	<p>February 2023</p> <p>CMT meetings in Dec 2022 and Jan 2023</p> <p>On-going</p>	<p>COMPLETED</p> <p>COMPLETED</p>
6. Transactions had not always been administered inline with the required financial accounting principles relating to pre-payments.					
6a	Cardholders and budget managers are advised of the need to ensure that the purchase of goods and services which are delivered or received in the following financial year are properly adjusted for within the Council's financial accounts.	All card holders and supervisors informed by email of the need to ensure that the purchase of goods and services which are delivered or received in the following financial year are properly adjusted for within the Council's financial accounts.	eProcurement Team Leader (CT)	February 2023	COMPLETED

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
7. Purchases had been made by persons other than the designated cardholder.					
7a	All cardholders are advised of the need to strictly comply with the Purchasing Card Policy in relation to the security of their purchasing card and PIN.	1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and informed of the consequences for non-compliance around card security and PIN confidentiality. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.	eProcurement Team Leader (CT)	February 2023	COMPLETED
		2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.	All Heads of Service & Senior Managers	CMT meetings in Dec 2022 and Jan 2023 On-going	COMPLETED
7b	A decision to be made regarding the purchasing card of a care home employee and if it can be reinstated as requested by service area management.	This relates to a currently suspended card for a Childrens Home. Internal Audit have asked Head of Finance for a decision, outcome pending.	Head of Finance (MR)	February 2023	COMPLETED

APPENDIX 2

Management Actions – Corporate Purchasing Cards

November 2022 – May 2023

The results of the audit, like all unsatisfactory/unsound audit reports, have been discussed at length at the Council's Executive Board and given the nature of this particular audit, the wider Corporate Management Team; on several occasions. It has also been reported to the Cabinet Member for Finance.

All Heads of Service were instructed to ensure all card users and approvers complied with the corporate cards policy with immediate effect whilst further actions were considered.

A number of changes and improvements have now been agreed and they are listed in the table below with current status.

ACTION / CHANGE	CURRENT STATUS (As at May 2023)
1. A list of all card users and approvers reviewed by HoS and Directors to ensure: <ul style="list-style-type: none"> - Cards still required - Card users and reviewers appropriate. 	Work has been completed, and following Exec Board Review, the identified cards have been cancelled. This has resulted in approx. 20% reduction in the number of cards in use.
2. Update to Corporate Card policy to tighten up on: <ul style="list-style-type: none"> - Some aspects of inappropriate use - Making clear that not following the policy and the requirements for card use and approval could be dealt with via the Council's 'Competency & Disciplinary' process given they are integral parts of those individuals roles. 	Work has been completed and following review by Exec Board and Head of Finance, new policy has been issued.
3. Monthly exception report developed listing card transactions not authorised and sent to HoS for review and follow up.	Completed. Reports developed and reviewed for the last three months. No issues reported. Business as Usual now – part of the 'purchasing team' monthly processes.
4. E-Learning module developed for use of the card and which: <ul style="list-style-type: none"> - Is mandatory as part of any new card application - Is mandatory for current users to complete. Non-compliance resulting in suspension of card until completed. 	Work has been completed, and new eLearning module now live. Communications issued to all card holders. All card holders have until 23 rd June 2023 to complete the training or have their card suspended. Refresher training to be completed every 2 years.
5. Assessment of the requirement to further investigate, as needed, of the inappropriate	Further investigations currently underway to understand any performance or conduct issues. Supported by Internal Audit and the HR team.

ACTION / CHANGE	CURRENT STATUS (As at May 2023)
uses of the card found in the latest audit and take appropriate action.	

APPENDIX 3

Corporate Management Team (CMT) Review of the *Unsatisfactory* 2022/23 Purchasing Card Transactions Audit

January 2023

Actions and Process Changes Agreed:

1. Each Head of Service (HoS) to undertake a review of all cards within their area, both card holder and approver with a view to deciding:
 - a) Does the officer require a card to undertake their duties?
 - b) Is the current approver the best person to validate and approve spend?

In above, all cardholders to review and prove need for card and if the use of the ordering/invoicing main system is possible and/or alternative arrangements which reduces overall numbers of cards are possible, these are implemented.

Directors to review and sign-off for service areas within their area of responsibility.

Agreed by CMT

2. Monthly reports to be produced, detailing all card holders (by service area) who have failed to review their transactions, as well as all approvers who have failed to validate and approve. In addition, reports on VAT errors and non-compliance. These reports to be issued to each HoS monthly and summarised for Exec Board.

Directors to satisfy themselves and ensure all non-compliance transactions are robustly followed up by their HoS.

Agreed by CMT

3. Consider the introduction of card holders obtaining prior approval for purchases. This could be service area specific (linked to previous non-compliance, inappropriate spend etc) and could be threshold based e.g. prior approval for a purchase over £100.00

CMT agreed to defer this action, and reconsider, if necessary, at a future CMT meeting.

4. The Purchasing Card Policy be fully reviewed and amended to reinforce compliance around subjective and potential non-compliant spend.

Agreed by CMT

5. Independent investigations be undertaken on the back of the findings from the last transactions audit, regarding potential inappropriate spend by card holders.

Agreed by CMT

6. Purchasing Card Policy to be revised to state that non-compliance with policy will result in suspension of card, reported to Head of Service who will investigate reasons and decide on

appropriate action in line with the Council's Capability Policy and/or potentially Disciplinary Policy.

Agreed by CMT

7. Look at putting together a training module or video for all card holders to undertake, and for all new card holders to complete prior to issue of card.

Agreed by CMT

New Action

8. Policy to be amended to further enforce the use of P-Cards as being the 'exception', and that the Council's Purchase Order system should be used wherever possible and practicable.

Agreed by CMT

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Briefing Note

Governance and Audit Committee

Date: 25th May 2023

Subject PTU Audit Update

Author Head of Infrastructure

Purpose To advise the Committee on progress as a result of the “unsatisfactory” audit opinion and G&A Committee additional requests.

Background

The follow up audit was carried out between February and May 2022 with the weaknesses and agreed management actions summarised below. Work has been undertaken by the service area to implement each of these actions and note that all have now been actioned.

The tables below summarise the outstanding individual weaknesses identified during the follow up review.

Ref.	CRITICAL
	No critical weaknesses were identified during this follow-up audit.

Ref.	SIGNIFICANT
1.01	<p>The CTX system did not record all contracts / taxi usage across the Authority. Multiple and inconsistent records were used to monitor the various contracts.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Upload CTX to Cloud – Implemented • Load and maintain all contracts on the CTX system – all current ongoing contracts are now on the system.

Ref.	SIGNIFICANT
1.02	<p>The CTX database was not fully up-to-date with accurate operator licences and insurances. Dates of birth were missing for some drivers which resulted in the system reporting the driver was underage.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Upload CTX to Cloud – Implemented • Ensure all driver checks are in place and system up to date – Complete – no outstanding checks as at 11/05/23.
1.03	<p>There were expired DBS checks and training for drivers and escorts recorded on the CTX database.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Upload CTX to Cloud – Implemented • Ensure DBS checks and driver training up to date and within operational levels and recorded on system – All training up to date and no outstanding DBS checks as at 11/05/23
2.10	<p>Taxi escorts were not required to submit any form of photo identification along with their DBS check.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • The issuing of escort identification badges has been rolled out as part of the escort training sessions with the Licencing team, with photographs being obtained as part of the session – Implemented
2.11	<p>Adequate driving licence checks were not undertaken prior to the award of contracts to ensure that drivers were appropriate.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Additional staff will be deployed and fully trained on the Davis system – in the process of recruitment, two appointments made and recruitment to the third post in progress. Training will commence once in post • In the interim, all driver licence checks will be undertaken at the point of contract award and on expiration – complete and ongoing • Full utilisation of the Davis system will be achieved following training of key staff – complete - all staff have full access to the Davis system

Ref.	SIGNIFICANT
2.11 (New)	<p>A taxi company with previous offenses relating to unlicensed drivers was operating on contract work. The DBS and driving licence checks for the contracted driver was not updated / renewed (as this was a historical arrangement) and there was no reference to the offences and consideration of the contract continuation on the CTX system.</p> <p>Action(s):</p> <ul style="list-style-type: none"> The provider operates contracts with Caerphilly and Newport. The driver in question did not work on NCC contracts but these points were all noted on the system against the operator notes - complete
2.12	<p>Purchase orders were not always raised in advance of the first taxi journey taking place and did not record the agreed journey cost. Purchase order justification box did not reference the ITT number to highlight market testing undertaken.</p> <p>Action(s):</p> <ul style="list-style-type: none"> POs to be raised in a timely manner with journey cost recorded – complete and ongoing ITT numbers to be recorded within the requisition box confirming the requisition has been tendered with eTender Wales – complete and ongoing
2.14	<p>The monitoring system in place for Social Services / Corporate taxi contract arrangements required improvement. Key information was not recorded.</p> <p>Action(s):</p> <ul style="list-style-type: none"> Social Services spreadsheet to be updated to meet audit requirements – complete and ongoing
2.16	<p>The details of the taxi driver / escorts were not always provided to the schools / social worker making the booking.</p> <p>Action(s):</p> <ul style="list-style-type: none"> Driver, escort and operator information is now provided in the same detail to all schools. The social worker who books the transport will also continue to receive the information when transport is confirmed. – complete and ongoing

Ref.	SIGNIFICANT
3.07	<p>Employees within the PTU team have not attended Information Security training and the required Financial Regulations refresher training.</p> <p>Action(s):</p> <ul style="list-style-type: none"> All staff to attend IS and FR training – complete January 2023, new staff to be inducted on appointment
3.08	<p>Absence recording in iTrent was not always input correctly and in a timely manner. Return to work discussions were not always recorded in the iTrent system.</p> <p>Action(s):</p> <ul style="list-style-type: none"> Absence recordings and RTW interviews to be completed in a timely manner – implemented and ongoing

Ref.	MODERATE
2.08	<p>Taxi request forms were not always authorised by an appropriate officer in line with the requirements as set out on the form.</p> <p>Action(s):</p> <ul style="list-style-type: none"> Discussion will be held with Social Services regarding who is authorised to approve taxi contracts and we will review the approval limits and update the form as necessary – Complete – approval levels revisited and signatories agreed with Social Services
2.09	<p>Copies of DBS certificates were sometimes uploaded onto eTender Wales.</p> <p>Action(s):</p> <ul style="list-style-type: none"> Suppliers have again been reminded that DBS certificates must not be uploaded onto e tender Wales. PTU staff are unable to remove/delete these files from e tender Wales if the operator does not comply. PTU continues to remind operators/ tenderers not to append DBS information when using e tender Wales – Complete and ongoing
2.13	<p>Invoices received from taxi companies did not always contain adequate information.</p>

Ref.	MODERATE
	<p>Action(s):</p> <ul style="list-style-type: none"> Operators to be instructed that failure to include certain information on invoices all result in payment delays – complete and ongoing
3.06	<p>Quality assurance checks had not been undertaken for the taxi contracts. The Taxi Licensing team required an updated school's contract list in order to assist with the undertaking of checks.</p> <p>Action(s):</p> <ul style="list-style-type: none"> Monitoring schedule has been prepared and arrangements, in partnership with the Licencing team, in place for weekly monitoring across all school sites - implemented
3.09	<p>The formal agreement in place between Newport City Council and Monmouthshire County Council had yet to be strengthened with the development of a job description and job specification as indicated. The stated period of the original agreement had passed and should be considered for review.</p> <p>Action(s):</p> <ul style="list-style-type: none"> Head of Infrastructure to confirm with Monmouthshire CBC that the current arrangement will be extended. Term to be agreed and confirmed.- complete All Service Area Team Managers operate under a generic job description and job specification. HR Business Partners to add this position to the generic JD which is currently going before the Job Evaluation Panel for sign off - complete

Further to the action points agreed as part of the audit follow up, Governance and Audit Committee also requested the following be addressed, updates have been included in **bold**.

- That Education is contacted to ensure that the process for regular monitoring and escalating issues is clearly defined and mutually understood. **There has always been a regular channel of communication between Education and PTU colleagues although a group was established last year to proactively improve upon this and now includes all stakeholders. This group meets on a regular basis.**
- That the lead time given by the CTX system flagging up when a DBS check was due for renewal is confirmed. **Processes are in place that allow for a six week renewal period before the expiration of a DBS which is then communicated with operators.**
- That an internal working group is considered for further development to formalise the collaborative approach to monitoring and problem solving. **As above, a collaborative and regular meeting has been established to address arising issues.**

- A written update report be provided to the Committee in 3 month's time to provide an update to include; up to date facts and figures, DBS Checks for drivers and escorts and an indication of what continuation training was in place
 - **0 DBS checks outstanding**
 - **0 Licence checks outstanding**
 - **Safeguarding training for all escorts has been delivered and is currently under assessment to determine a rolling programme of refresher courses**

Report

Governance and Audit Committee

Part 1

Date: 25th May 2023

Subject Treasury Management Outturn Report – 2022/23

Purpose This report is to inform Governance & Audit Committee of treasury activities undertaken for the financial year 2022/23 and confirms that all treasury and prudential indicators have been adhered to. The Committee is asked to make any comments or observations, as needed, which will be included in this report when subsequently sent to Cabinet and Council.

Author Head of Finance / Assistant Head of Finance

Ward All

Summary In line with the agreed Treasury Management Strategy, the Council continues to be both a short-term investor of cash and borrower to manage day-to-day cash flows. Current forecasts indicate that, in the future, temporary borrowing may be required to fund normal day-to-day cash flow activities and longer-term borrowing will increase to fund commitments in the current capital programme, as well as the impact of reduced capacity for 'internal borrowing'.

The Authority also invested in three covered bonds within 2022-23, totalling £10m, in line with the Council's Treasury Management Strategy, which stated that the Council would consider long term investments up to £10m.

During the year, the Council's total borrowing reduced from £142.1m to £138.6m and total investments reduced from £58.3m to £47.2m, meaning overall the Council net borrowing increased by £7.6m to £91.4m as the 31st March 2023.

The report confirms that all prudential indicators were complied with during 2022/23.

Proposal **To note the report on treasury management activities for the period 2022-23 and provide comments to Cabinet/Council.**

Action by Head of Finance / Assistant Head of Finance

Timetable Immediate

This report was prepared after consultation with:

- Treasury Advisors
- Head of Finance

Signed

Background

1. Treasury risk management within Newport City Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which required the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation to have regard to the CIPFA Code.
2. CIPFA published its revised Prudential Code and Treasury Management Code of Practice in December 2021. The new code took immediate effect, although authorities could choose to defer introducing the revised reporting requirements until the 2023/24 financial year, which the Council has elected to do. The key changes within the revised code are;
 - It particularly highlights the requirement that local authorities must not borrow to invest primarily for financial return.
 - The forward-looking prudential indicators must be monitored and reported to members at least quarterly (currently half-yearly) as part of the normal budget monitoring reports.
 - The Authority will also have to explicitly document a formal and comprehensive knowledge and skills schedule to ensure the effective acquisition and retention of treasury management skills for those responsible for the management, delivery, governance, decision-making and compliance with legislative requirements.
3. CIPFA defines Treasury Management as

The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
4. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy. The 2022/23 Treasury Management Strategy was approved by the Council as part of the Capital Strategy in March 2022 and can be viewed at the following location.
<https://democracy.newport.gov.uk/documents/s21100/04%20Cabinet%20Report%20-%20Capital%20Strategy%20and%20Treasury%20Strategy%202022-23.pdf?LLL=0>
5. This report presents the following information:
 - details of capital financing, borrowing, any debt rescheduling and investment transactions
 - reports on the risk implications of treasury decisions and transactions.
 - details the monitoring position on treasury management transactions.
 - compliance with treasury limits set and the Prudential Code

BORROWING STRATEGY / ACTIVITY

Short and Long Term Borrowing

6. Whilst the Council has significant long-term borrowing requirements, the Council's current strategy of funding capital expenditure (from a 'cash' perspective) is through the concept of 'internal borrowing' where the Council seeks to use its existing cash balances and reserves to afford its capital expenditure prior to the necessity to take out external borrowing i.e. we defer taking out new long term borrowing and fund capital expenditure from the Council's own cash resources for as long as we can – which exist because of 'cash-backed' reserves and, to a lesser extent, day to day positive cash-flows. The Council may undertake borrowing early if there is a clear underlying need for future borrowing and it feels it can minimise risk of future interest rate rises while providing value for money. Any such action will be in line with advice from our treasury advisors.

7. By using an internal borrowing strategy, the Council can also minimise cash holding at a time when counterparty risk remains relatively high, especially within the current economic climate. The interest rates achievable on the Council's investments are also lower than the current rates payable on long-term borrowing so this remains a sensible consideration in operating an 'internal borrowing' arrangement – i.e., it would cost more to borrow than it would to utilise existing investment balances and forego interest receivable. Whilst the strategy minimises investment counterparty risk, the risk of interest rate exposure is increased.
8. The cost of both long and short-term borrowing rose significantly over 2022-23, with rates at the end of March 2023 around 2% - 4% higher than those at the beginning of April 2022. Rate rises have been driven primarily by inflation and the Bank of England has increased interest rates to try and control this. On 11th May 2023, the Bank of England's Monetary Policy Committee increased the rate by a further 0.25% taking the official bank rate to 4.5%. The Council's treasury advisors predict there could be a further one or two 0.25% rises in bank rate over the short term before a pause to assess the impact. A reduction is currently forecast from quarter 2-3 in 2024 though not down to historically low levels and there are still both upside and downside pressures on the interest rates.
9. Over the short to medium term, the level of borrowing required to fund (from a 'cash' perspective) the capital programme will be substantial. As well as this, the Council will have a requirement to be a net borrower into the long term. Therefore, consideration could be taken to undertake borrowing early, considering recent interest rate rises and the potential for further rate rises in the short term. Essentially, we would reduce our internal borrowing position in the short term. The market position is being constantly monitored to review this and manage, as far as possible, the risk of resulting increase in borrowing costs over the medium term and this would only be done in consultation with the Council's treasury advisors and where it was felt to be appropriate and affordable.
10. The following table compares the borrowing levels at the end of 2022-23 with the equivalent from the end of the previous year. This indicates a net reduction in borrowing of £3.5m during 2022-23, predominantly through the redemption of a small PWLB loan at the end of September, which has not been re-financed, plus we have a number of loans which are Equal Instalments of Principal (EIP) loans, which pays back principal over the life of the loan, so the borrowing levels decline naturally over the life of the loan as an alternative to maturity based loans where the amount borrowed is only repaid when the loan period expires.

Comparison	2022-23	2021-22
Public Works Loan Board	93,089,897	97,064,396
Interest Free Borrowing	9,905,757	10,079,675
LOBOs	30,000,000	30,000,000
Ex LOBO	5,000,000	5,000,000
Accrued Interest	606,212	0
	138,601,866	142,144,071

11. In regard to LOBOs (Lender Option borrower Option), no loans were called during the period. All £30m outstanding is subject to potential change of interest rates by the lender (which would automatically trigger a right to the Council to repay these loans). Should a change of interest rate be requested, then it will be considered in detail and a decision on how to proceed will be made in conjunction with our treasury advisors.

INVESTMENTS ACTIVITY / POSITION

12. The Council's strategies in this area of Treasury Management are;

- (i) to be a short term and relatively low value investor, consistent with the pursuit of an 'internal borrowing strategy' and
- (ii) investment priorities should follow the priorities of security, liquidity, and yield, in that order.

13. The following table compares the investment levels at the end of 2022-23 with the equivalent from the end of the previous year. This indicates a net decrease in investment activity of £11m during 2022/23.

Comparison	2022-23	2021-22
Investment	- 47,231,574	- 58,265,000
Accrued interest	- 31,574	
	<u>- 47,263,147</u>	<u>- 58,265,000</u>

These investments reflect surplus cash invested in financial institutions or organisations to provide a financial return. Appreciating the ongoing conflict in Ukraine, none of our investments directly involve Russian institutions.

- 14. January 2018 saw the implementation in the UK of the second Markets in Financial Instruments Directive (MiFID II), where treasury consulting firms were obliged to treat all local authorities as retail clients unless they opted up to professional client status and met certain criteria. Those criteria included holding a minimum of £10m investment balance and employing knowledgeable and experienced staff to carry out investment transactions.
- 15. In February 2023 the Council invested in three covered bonds to satisfy this requirement; Santandar (£3.5m), Lloyds (£4m) and Cie de Financement Foncier (£2.5m). These are longer term investments which helps diversify our investment portfolio. Covered bonds are debt instruments secured by a cover pool of mortgage loans (with property as collateral) or public-sector debt to which investors have a preferential claim in the event of default. In covered bonds, dual recourse means that bondholders have two sources of repayment: the issuer of the bond (a bank or building society), and the cover pool of assets that the bond is backed by. If the issuer defaults, bondholders have recourse to the cover pool, which is regularly monitored to ensure it is more than sufficient to cover the outstanding debt.

There are several benefits to having covered bonds within the investment portfolio; they have a high credit quality as they are issued by major financial institutions which are regulated entities subject to high levels of supervision. As a result, most UK covered bonds are rated AAA, which is the credit rating for all three bonds which the Authority has invested in.

Covered bonds avoids 'bail-in' risk. Following the implementation of the Bank Recovery and Resolution Directive (BRRD) in Europe, many unsecured liabilities of financial institutions became subject to "bail-in" requirements. In the event of a default the unsecured depositors will recapitalise the bank. Secured debt obligations, including covered bonds, are exempt from this treatment under the BRRD.

Covered bonds also have a high yield compared to risk and offer greater diversification than many debt instruments with comparable risk exposure, such as government bonds.

- 16. Currently the Council also has £7m invested with the CCLA Money Market Fund, which can be redeemed without notice, so is extremely liquid.
- 17. As outlined previously, with the Bank of England increasing its base rate from 0.75% at the beginning of the year to 4.25% at the end of March 2023, short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April, rose by around 3.5% for overnight/7-day maturities and 3.3%

for 6-12 month maturities. By end March 2023, the rates on DMADF deposits ranged between 4.05% and 4.15%.

18. All the investments that the authority makes, with the exception of the covered bonds outlined above, are for less than 364 days. The Authority keeps Cash extremely liquid, with the majority of our investments for less than 35 days although the Authority does invest with other local authorities for slightly longer periods. As at 31st March 2023 the Authority's investments had an interest rate of between 2.8% and 4.4%.

NON-TREASURY INVESTMENTS

19. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in the Investment Guidance issued by the Department for Levelling Up, Housing and Communities (DLUHC) and Welsh Government, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The Authority also held such investments in:

- directly owned property such as office and commercial units of £10.6m
- loans to developers £10.3m
- shareholding in subsidiaries £0.3m (Newport Transport)

Directly held property is subject to annual valuation review which can change the value of the holding.

The developer loans activity reflects those regenerative partnership projects that are included within the capital programme to assist developers with cash flow loans on particular projects and which are required to be repaid plus interest.

OTHER TREASURY CONSIDERATIONS FOR 2022-23

Economic background and Counter Party Update

20. Appendix A outlines the underlying economic environment as provided by the Council's Treasury Management Advisors, Arlingclose. This is very useful context in informing annual strategy and assisting in effective treasury decisions.
21. In March 2023, following the failure of two US regional banks and the state-sponsored takeover of Credit Suisse by UBS, our treasury management advisors Arlingclose advised that they were reducing their recommended duration for unsecured investments in all banks to 35 days. This was a precautionary stance given the difficulty in projecting the wider market impact of what seemed relatively idiosyncratic problems. Importantly, the long-term rating of Santander UK, (the Council's bankers), remains at A+; above the Council's minimum level of A-.

Compliance with Prudential Indicators approved by Council

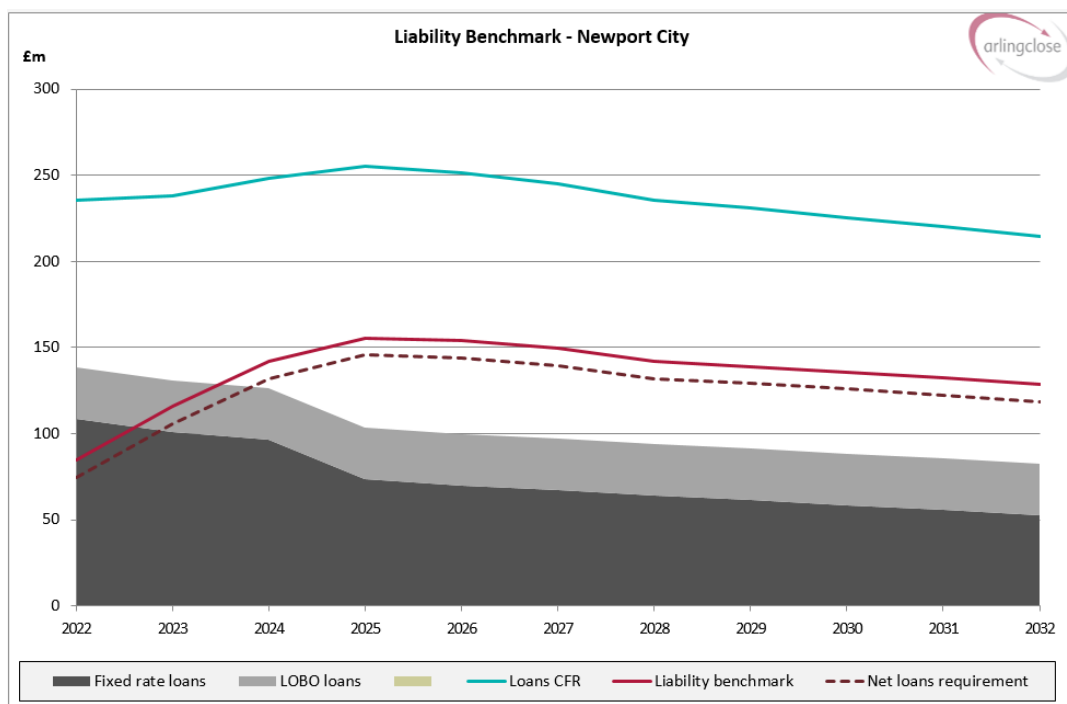
22. The Authority measures and manages its exposures to treasury management risks using various indicators which can be found in Appendix B. The Authority has complied with the Prudential Indicators for 2022/23, set in March 2022 as part of the Treasury Management Strategy

Liability Benchmark Indicator

23. CIPFA recommends that the optimum position for external borrowing should be at the level of the Liability Benchmark (i.e., all balance sheet resources should be used to maximise internal borrowing). If the outputs show future periods where external loans are less than the Liability Benchmark, then

this indicates a borrowing requirement thus identifying where the authority is exposed to interest rate, liquidity and refinancing risks. Conversely, where external loans exceed the Liability Benchmark then this will highlight an over borrowed position which will result in excess cash in the organisation requiring investment thus exposing the authority to credit and reinvestment risks and a potential cost of carry. The treasury strategy should explain how the treasury risks identified by the Liability Benchmark are to be managed over the coming years.

24. A recent change in guidance recommended sharing details of benchmark liability periodically with members. The Liability Benchmark is effectively the Actual/Real Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

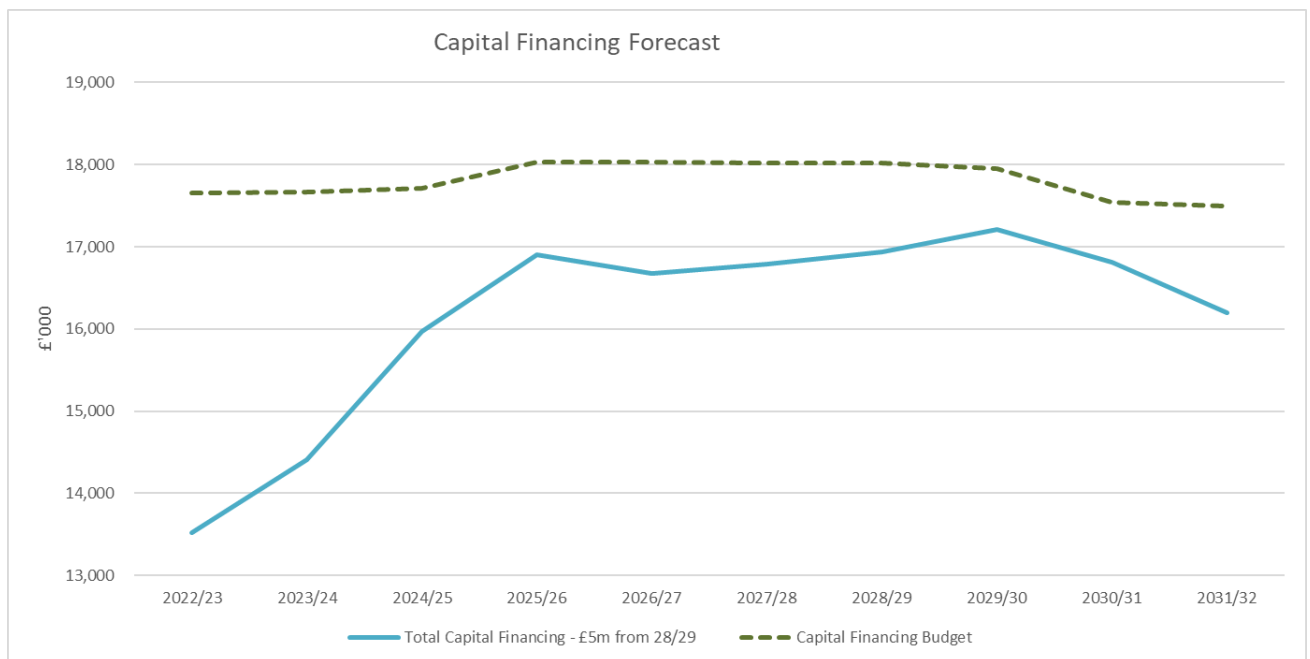


25. The chart above contains a number of elements, which are explained below:
- The blue line reflects the accumulated value of historic, and future, unfunded capital expenditure – i.e. expenditure initially funded by borrowing and then funded via the revenue budget, over time, in the form of MRP (Minimum Revenue Provision). In effect, this line represents the gross amount of borrowing required.
 - The solid red line is the calculated actual/real level of borrowing required, taking into account the Council’s internal borrowing capacity (i.e. the value of balance sheet resources at any point in time). The gap between the blue and red lines represents the internal borrowing capacity.
 - The grey shaded areas represent the actual borrowing undertaken by the Council as of 31 March 2023 and shows how these loans reduce as they are scheduled for repayment.
 - The white gap between the solid red line and the grey shaded areas represents the estimated amount of new borrowing required over the next ten years. A large proportion of this new borrowing would be to replenish existing maturing borrowing, with the remainder being required as a result of the Council’s capital expenditure plans.
26. Several key conclusions from the chart are outlined below:
- In 2022 and 2023, it can be seen that actual borrowing exceeds the amount of calculated borrowing. The level of borrowing held is the result of historical borrowing commitments, coupled with the larger than anticipated investment levels (mainly due to the volume of external grants received during the COVID-19 pandemic period) increasing the internal

borrowing capacity and, in effect, reducing the calculated need to borrow. As noted above in the investment section of this report; the Council was investing about £47m at 31 March 2023 and the graph above reflects that.

- Between 2023 and 2025, the gross need to borrow increases (blue line) but the calculated need for actual/real borrowing increases more sharply (red line). This is because the Capital Programme commitments add to the need to borrow but, at the same time, the internal borrowing capacity is predicted to reduce as reserves are utilised and investment levels reduce.
- During the same window, actual borrowing held (grey shaded areas) reduces as loans are repaid. The combination of this, and the sharp increase in the need to borrow, means that actual new borrowing in the region of £50m could be required by the end of 2025.
- There is then a relatively stable period where the gross borrowing requirement, the calculated actual need to borrow and the actual loans held all steadily reduce until 2032. This would achieve one of the Council's aims of stabilising the Capital Financing Requirement (CFR) in order to mitigate the impact of a rising CFR on capital financing costs incurred within the revenue budget and comply with the requirement for capital expenditure plans to be affordable, prudent and sustainable over the medium term.
- It should be noted that capital expenditure beyond 2027/28 is based on £5m unfunded expenditure per year, for modelling purposes only. Until that point, there is no new borrowing assumed, however this stance will be subject to an annual review as part of the rolling approach to capital programme management.

27. The chart below provides a graphical illustration of the impact that the current capital expenditure plans (plus an assumed £5m of unfunded capital expenditure per year from 2028/29 onwards) will have on the capital financing revenue budget and is a translation of the information outlined in the Liability Benchmark graph above. Essentially, the Councils revenue budget impact from the above liability benchmark position and forecast



28. As can be seen from the blue line, there is a broadly similar trajectory to capital financing costs as there is to the liability benchmark line outlined in the Liability Benchmark chart. The costs are projected to increase sharply up to 2025/26 and then plateau thereafter. This is to be expected, as the capital financing costs (comprising MRP and interest) are the product of unfunded capital expenditure. The dashed line identifies the revenue budget currently projected to be available for meeting those costs and confirms that, currently, there is anticipated to be sufficient revenue budget available. However, the uncertainty regarding interest rates means there is a risk that

interest rates raise beyond current assumptions and the current headroom could be exhausted, potentially leading to a pressure upon the medium term financial plan.

Outlook for short to medium term

29. As outlined in the Liability Benchmark graph, and elsewhere in the report, the Council has a longer term underlying need to borrow. This is driven by the increasing expenditure on the Capital Programme, with a significant peak expected in 2023/24 and 2024/25, as well as the need to refinance existing borrowing. It is anticipated that the need to borrow will crystallise towards the latter part of the 2023/24 financial year, unless there is slippage against the Capital Programme, in which case that need could be deferred until 2024/25. In the intervening period, the Council should be able to manage its cashflow requirements through its internal borrowing strategy and gradually reducing the level of investments held. If there are any short term cashflow needs, these can be addressed via short term borrowing.
30. Due to the current increases in interest rates, and the possibility of one more rise before current advice suggests that the peak is reached, the Council will continue to defer the need to take out long term borrowing for as long as possible. It is hoped that, by adopting this approach, interest rates may have reduced from their current levels, although not to the level pre-2020, reducing to some extent the impact upon the revenue budget of undertaking new borrowing.
31. Aside from LOBOs, which could potentially see interest rate rises, all of the external borrowing is on a fixed rate basis. Therefore, and in line with advice from the treasury advisors, the intention is to hold off undertaking any borrowing until absolutely necessary, in anticipation that rates will reduce, even if not to the levels available in recent years. This position will be reviewed on a regular basis in conjunction with the treasury advisors, especially in light of the volatile economic context and the regularly changing borrowing rates.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Investment counterparty not repaying investments	High but depending on investment value	Low	The Council only invests with institutions with very high credit scores. It employs advisors to monitor money market movements and changes to credit scores and acts immediately should things change adversely. The lower levels of funds available for investment will also alleviate the risk. Colleagues also monitor financial circulars and Treasury consultants' advice to be able to respond in a timely fashion and withdrew its investment from one local authority recently.	Members, Head of Finance, Treasury staff, based on advice from treasury advisors
Interest Rates moving adversely against expectations	Medium	Medium	Interest rates are currently volatile, however the Council's external borrowing is based on fixed interest rates, although there is a degree of risk in relation to LOBOs. The Council will continue to monitor interest	Head of Finance, Treasury staff, treasury advisors

			rates in anticipation of a medium term need to borrow and will work with its treasury advisors to identify the optimum time to undertake any new borrowing.	
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* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

It is the Council’s policy to ensure that the security of the capital sums invested is fully recognised and has absolute priority. The Council follows the advice of the Welsh Government that any investment decisions take account of security, liquidity and yield in that order.

Options Available and considered

The Prudential Code and statute requires that, during and at the end of each financial year, reports on these matters are presented to Council for approval.

Preferred Option and Why

The approach required by statute is quite prescriptive, such that there are not many choices/options. This report is a regular half yearly event. The Governance and Audit Committee acts as the main scrutiny mechanism before a similar report is received by Cabinet/Council. The approach remains unchanged in advocating that the Committee notes the contents of the report in relation to Treasury activities and Indicators, and particularly the deficiency against the interest rate exposure indicator and provides endorsement or feedback pertinent to add to the Cabinet/Council report.

Comments of Chief Financial Officer

Decisions made on treasury matters will be made with a view to comply with the Treasury Management Strategy, Prudential Indicators, taking advice, where needed, from our Treasury Advisers.

The report highlights that the Council continues to hold high investment levels, partly due to slippage within the Capital Programme and additional cash received via Welsh Government grants towards the end of the financial year. The underlying medium-term need to borrow remains and it is anticipated that new borrowing may be required towards the end of the 2023/24 financial year. However, should there be further slippage within the Capital Programme, it is possible that the need may be deferred until 2024/25. This would potentially be beneficial to the Council, in that interest rates may have reduced from their current levels by then, thus mitigating to some extent the impact upon the revenue budget of undertaking new borrowing. The Council’s approach will, therefore, continue to defer the need to borrow for as long as possible, in order to avoid the peak of interest rates anticipated during this summer. Regular and close monitoring of this position will be undertaken with the Council’s treasury advisors and, should the advice change, I have delegated authority to undertake borrowing as required.

The report also highlights the decision taken in the final quarter of the 2022/23 financial year to invest £10m in covered bonds. This investment ensures that the Council can maintain its professional client status under the MIFID II directive and, also, will generate a secure and positive return on investment. In addition, covered bonds are regarded as an extremely secure investment, one which is not subject to bail-in, thereby ensuring that the investment priority of security over yield is adhered to. It is, therefore, positive that the Council has been able to lock-in a good level of return for a number of years, in a product that provides the level of security desired.

Comments of Monitoring Officer

There are no legal implications. The in year and annual treasury management report is consistent with relevant Chartered Institute of Public Finance and Accountancy Guidance, Treasury Management principles and the Council’s investment Strategy.

Comments of Head of People, Policy and Transformation

There are no direct HR implications associated with the report.

The Well-being of Future Generations Act requires public bodies to balance short-term needs with the needs to safeguard the ability to meet long-term needs as outlined in the approach taken.

Scrutiny Committees

N/A

Fairness and Equality Impact Assessment:

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

For this report, a full Fairness and Equality Impact Assessment has not been undertaken. This is because this report is not seeking any strategic decisions or policy changes, with its purpose being to update on the treasury management activities for the year retrospectively. However, fairness and equality are considered as part of service delivery and will feature in annual finance reports, such as the Treasury and Capital Strategy.

In terms of the Wellbeing of Future Generations (Wales) Act, and the five ways of working contained within it, this report highlights examples of these being supported. This report is a backwards looking report of the treasury management activities of the Council. It shows that we followed the treasury management strategy and the compliance with prudential code and treasury management indicators. This links into the long-term objectives of the authorities and ensures that the Councils' activities are carried out in an affordable, prudent and sustainable manner.

In the case of the Welsh Language, the service will continue to ensure that, wherever possible, services or information is available in the medium of Welsh.

The Equality Act 2010 contains a Public Sector Equality Duty, which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better-informed decision-making and policy development and services that are more effective for users. Nothing in this report is considered to have a direct equality impact.

Consultation

N/A

Background Papers

Reports to Council March 2022 and February 2023: Capital Strategy and Treasury Strategy.

Dated: 9th May 2023

APPENDIX A

Introduction

The Authority's treasury management strategy for 2022/23 was approved at a meeting on 1st March 2022. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

The 2021 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 1st March 2022.

External Context

Economic background: The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.

The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.

The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.

Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%. The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee

noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.

From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

Financial markets: Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

Credit review: Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

In July Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.

The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.

Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities

with specific issues. While Arlingclose’s advice for local authorities on its counterparty list remains unchanged, a degree of caution is merited with certain authorities.

Local Context

On 31st March 2023, the Authority had net borrowing of £91.4m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The work on the 2022-23 statement of accounts is currently a work in progress, so the figures in the table below are currently draft and will be updated if required once the draft accounts for 2022-23 have been completed.

Table 1: Balance Sheet Summary

	31.3.23 Actual £m
General Fund CFR	282.4
Less: *Other debt liabilities	38
Borrowing CFR	244.4
Less: Usable reserves	-149
Less: Working capital	-4
Net borrowing	91.4

* Finance leases, PFI liabilities and transferred debt that form part of the Authority’s total debt

The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 31st March 2023 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.22 Balance £m	Movement £m	31.3.23 Balance £m	31.2.23 Rate %
Long-term borrowing	132	(3.3)	128.7	3.6
Long term interest free borrowing	10.1	(0.2)	9.9	-
Short-term borrowing	0	-	-	-
Total borrowing	142.1	(3.5)	138.6	3.6
Long-term investments	0	(10.0)	(10.0)	4.5
Short-term investments	(36.0)	5.8	(30.2)	-
Cash and cash equivalents	(22.3)	15.3	(7.0)	0.6
Total investments	(58.3)	11.1	(47.2)	5.2
Net borrowing	83.8	7.6	91.4	8.8

The main movement in the year is the increase in long-term investments. The authority invested in three covered bonds with Santandar (£3.5m), Lloyds (£4m) and Cie de Financement Foncier (£2.5m) as per the Capital and Treasury and Management Strategy for 2022/23.

Borrowing Update

CIPFA’s 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able fully access the PWLB.

Borrowing Strategy and Activity

As outlined in the treasury strategy, the Authority’s chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority’s long-term plans change being a secondary objective. The Authority’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio and, where practicable, to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of March around 2% - 4% higher than those at the beginning of April. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. Particularly dramatic rises were seen in September after Liz Truss’ ‘mini-budget’ included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies: over a twenty-four-hour period some PWLB rates increased to 6%. Rates have now fallen from September peaks but remain volatile and well above recent historical norms. The PWLB 10-year maturity certainty rate stood at 4.33% at 31st March 2023, 20 years at 4.70% and 30 years at 4.66%.

Aside from LOBOs, which could potentially see interest rate rises, all of the external borrowing is on a fixed rate basis. Therefore, and in line with advice from the treasury advisors, the intention is to hold off undertaking any borrowing until absolutely necessary, in anticipation that rates will reduce, even if not to the levels available in recent years. This position will be reviewed on a regular basis in conjunction with the treasury advisors, especially in light of the volatile economic context and the regularly changing borrowing rates.

Whilst the Council has significant long-term borrowing requirements, as mentioned previously in the report the Council’s current strategy of funding capital expenditure is through the use ‘internal borrowing’. Over the medium term, it is anticipated that the level of borrowing required to facilitate the new capital programme will be substantial. The Council may undertake borrowing early if there is a clear underlying need for future borrowing and it feels it can minimise risk of future interest rate rises while providing value for money. But currently, in line with advice from the treasury advisors, the intention is to hold off undertaking any borrowing until absolutely necessary, in anticipation that rates will reduce, even if not to the levels available in recent years.

At 31st March 2023 the Authority held £138.6m of loans, a decrease of £3.5m to 31st March 2023, as part of its strategy for funding previous [and current] years’ capital programmes. Outstanding loans on 31st March are summarised in Table 3 below.

Table 3A: Borrowing Position

	31.3.23	Net Movement	31.3.23	31.3.23	31.3.23
	Balance		Balance	Weighted Average	Weighted Average
	£m	£m	£m	Rate	Maturity
				%	(years)

Public Works Loan Board	97.0	(3.9)	93.1	3.7	17.9
Banks (LOBO)	30.0	-	30.0	4.4	31.2
Banks (fixed term)	5.0	-	5.0	3.8	54.9
Local authorities (long-term)	-	-	-	-	-
Local authorities (short-term)	-	-	-	-	-
Other inc. WG loans	10.1	(0.2)	9.9	-	0.4
Accrued interest	-	0.6	0.6	-	-
Total borrowing	142.1	(3.5)	138.6	3.6	21.3

The Authority's borrowing decisions are not predicated on any one outcome for interest rates.

Other Debt Activity

Although not classed as borrowing, the Authority previously raised capital finance to afford Glan Usk School and the Southern Distributor Road. The Accounts for 2022-23 are still being prepared at the time this report is finalised, but as an illustration the 2021-22 Statement of Accounts indicated an outstanding liability of £39m to pay to the operator.

Treasury Investment Activity

CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £98.7m and £43.7m million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

	31.3.22		31.3.23	31.3.23	31.3.23
	Balance	Movement	Balance	Income Return	Weighted average maturity
	£m	£m	£m	%	Years
Banks & building societies (unsecured)	(2.3)	2.3	-	-	-
Government (incl. local authorities)	(46.0)	15.8	(30.2)	3.7	0.1
Money Market Funds	(10.0)		(7.0)	4.1	On Call
Covered Bonds	-	(10.0)	(10.0)	5.2	4.5
Total investments	(58.3)	8.1	(47.2)	4.1	1.0

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April, rose by around 3.5% for overnight/7-

day maturities and 3.3% for 6-12 month maturities.

By end March 2023, the rates on DMADF deposits ranged between 4.05% and 4.15%. The return on the Council's sterling Low Volatility Net Asset Value (LVNAV) Money Market Funds ranged between 0.58% in early April and between 4.1167% at the end of March.

Given the risk of short-term unsecured bank investments, in February 2023 the Authority has invested in alternative and/or higher yielding asset classes as shown in table 4 above. £10m that is available for longer-term investment was invested in covered bonds.

Non-Treasury Investments

The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e., management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.

The Authority also held investments in

- directly owned property such as office and commercial units of £10.6m
- loans to developers £10.3m
- shareholding in subsidiaries £0.3m

These investments generated £0.45m of investment income for the Authority after taking account of direct costs.

Compliance

The Head of Finance reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in the table below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table below.

	2022/23 Maximum	31.03.23 Actual	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied? Yes / No
Borrowing	141.9	138.6	192	271	✓
PFI and Finance Leases	40	38	41	41	✓
Total debt	181.9	176.6	233	312	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Investment Limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers

UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£5m 5 years	£10m 20 years	£10m 50 years	£5m 20 years	£5m 20 years
AA+	£5m 5 years	£10m 10 years	£10m 25 years	£5m 10 years	£5m 10 years
AA	£5m 4 years	£10m 5 years	£10m 15 years	£5m 5 years	£5m 10 years
AA-	£5m 3 years	£10m 4 years	£10m 10 years	£5m 4 years	£5m 10 years
A+	£5m 2 years	£10m 3 years	£5m 5 years	£5m 3 years	£5m 5 years
A	£5m 13 months	£10m 2 years	£5m 5 years	£5m 2 years	£5m 5 years
A-	£5m 6 months	£5m 13 months	£5m 5 years	£5m 13 months	£5m 5 years
None	£1m 6 months	n/a	£10m 25 years	Not Applicable	£5m 5 years
Pooled funds and real estate investment trusts		£10m per fund or trust			

There was no non-compliance within 2022-23.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: Other Councils have adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating *or* (credit score) of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

This is a functionality that we are potentially looking to introduce in future years strategy but in the interim the Council still uses the table overleaf prescriptively in considering investments.

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

	31.3.23 Actual	2022/23 Limit	Complied
Upper limit on one-year revenue impact of a 1% rise in interest rates (borrowing)	0	200,000	✓
Upper limit on one-year revenue impact of a 1% fall in interest rates (investments)	70,000	100,000	✓

The authority did not undertake any new long term borrowing in 2022/23, and the figures in the table above are only calculated on those investments which have a variable interest rate.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.03.23 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	0%	60%	0%	✓
12 months and within 24 months	20%	40%	0%	✓
24 months and within 5 years	5%	40%	0%	✓
5 years and within 10 years	17%	40%	0%	✓
10 years and within 20 years	14%	30%	0%	✓
20 years and within 30 years	20%	20%	0%	✓
30 years and within 40 years	8%	20%	0%	✓
40 years and within 50 years	7%	20%	0%	✓
50 years and above	0%	20%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2022/23	2023/24	2024/25
Actual principal invested beyond year end	10	10	10
Limit on principal invested beyond year end	10	10	10
Complied	✓	✓	✓



Report

Governance and Audit Committee

Part 1

Date: 25th May 2023

Subject Internal Audit Annual Report 2022/23

Purpose To inform the Members of the Council's Governance and Audit Committee of:

- i) the overall opinion on the internal controls of the City Council for 2022/23;
- ii) Internal Audit's progress against the agreed audit plan;
- iii) Internal Audit's performance against local performance indicators.

Author Acting Chief Internal Auditor

Ward General

Summary Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

This report has been prepared in accordance with the Public Sector Internal Audit Standards. It gives an overall opinion on the adequacy and effectiveness of the City Council's internal controls during 2022/23, which was **Reasonable** - Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.

For 2022/23 the overall opinion has been based on the approved Revised Internal Audit plan 2022/23 (July 2022). The full year plan was based on delivering 1073 audit days. Reliance on previous years' audit work has also been taken into consideration in arriving at this year's opinion in that there have been no significant systems or staff changes.

The second part of the report relates to the performance of the Internal Audit Section and how well its key targets in the year were met. 77% of the approved audit plan was completed for the year against a target of 80%.

Proposal That the Annual Internal Audit Report 2022/23 and overall Audit Opinion be noted and endorsed by the Council's Governance and Audit Committee

Action by The Governance and Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer

- Head of People, Policy & Transformation

Signed

Background

1. Internal Audit is an independent, objective, assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources.
2. In line with the Public Sector Internal Audit Standards, this is the Chief Internal Auditor's formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment; a summary of the work completed during the year and the performance of the Internal Audit team.

Overall Audit Opinion

3. The level of assurance that can be placed on the internal controls operating effectively for 2022/23 is "**Reasonable**" (**Appendix A**).

4. The opinion for the internal financial controls operating within the Council in 2022/23 is:

We have undertaken our internal audit work for the year ending 31/03/2023 in accordance with the audit plan agreed by the Head of Finance and approved by the Council's Governance & Audit Committee on 28th July 2022. The plan was designed to ensure adequate coverage over the year of the Council's accounting and operational systems.

Our audit work included reviews, on a sample basis, of each of these systems / establishments sufficient to discharge the Head of Finance's responsibilities under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. We planned and performed our work to obtain the information necessary to provide us with sufficient evidence to give us reasonable assurance of the internal control systems tested.

The audit work undertaken was in line with the audit plan for 2022/23. Audit knowledge of previous systems and processes in place at NCC was also taken into consideration in arriving at this opinion, where there had been very little change to key systems or personnel within the organisation.

Based on this work, in my view the internal controls in operation are **Reasonable**. The opinion expressed relates in part to the systems and areas reviewed during the year.

Dona Palmer
Acting Chief Internal Auditor
May 2023

Audit Opinions Issued

5. The definition of the audit opinions used are shown at **Appendix A**. Internal audit reports provide a balanced view of the controls in place and record strengths and weaknesses.
6. The opinions given to individual audit reviews are shown at **Appendix B**. In summary the following opinions were issued following audit reviews:

	2019/20	%	2020/21	%	2021/22	%	2022/23	%
Good	7	22	5	17	10	29	9	24
Reasonable	19	60	23	80	23	66	25	66
Unsatisfactory	6	18	1	3	2	5	3	8
Unsound	0	0	0	0	0	0	1	2
Total	32	100	29	100	35	100	38	100

Overall Opinion	Reasonable	Reasonable	Reasonable	Reasonable
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7. In addition to planned work the team also undertook “special investigation” reviews. 5 special investigations were undertaken during 2022/23; some were ongoing from previous years. These reviews can be time intensive and on occasions difficult to prove.
8. Planned work not completed by the year end is noted in **Appendix C**.
9. Work was also undertaken during the year which did not warrant an audit opinion on the control environment but demonstrates where Internal Audit is adding value. This is shown at **Appendix D** as Non Opinion Work.

Key Issues

10. Where unacceptable levels of risk have been identified Heads of Services and their service managers have the responsibility for addressing the situation.
11. It is pleasing to note that 9 “**Good**” audit opinions were issued during the year.
12. 25 “**Reasonable**” audit opinions were issued.
13. However, 3 “**Unsatisfactory**” audit opinions were issued:
 - Purchasing Cards (Transactions)
 - Adoption Allowances Follow Up #2
 - PTU Taxi Contracts Follow Up
14. Also, 1 “**Unsound**” audit opinion was issued during 2022/23:
 - Safeguarding – Children’s Money
15. A summary of the issues identified in the above **Unsatisfactory & Unsound** audit reports have already, or will be reported to the Governance and Audit Committee separately:

Audit Job	Previously reported to Governance & Audit Committee	Due to be reported to Governance and Audit Committee
Purchasing Cards (Transactions)	Yes (January 2023)	Call in - May 2023
Adoption Allowances Follow Up #2 [3 rd consecutive unsatisfactory audit opinion]	Yes (Verbal update provided January 2023)	Call in – July 2023
PTU Taxi Contracts Follow Up	Yes (Call in January 2023)	3 mth update – May 2023
Safeguarding – Children’s Money	No	2023/24 – follow up audit

Impact of Covid-19

16. The disruption caused by the Coronavirus pandemic started to settle during 2022/23 with only a small number of planned audit jobs not being able to take place due to services returning to normal. In saying that; hybrid working continues to cause challenges with availability of service area staff and documents for those audits which have progressed and scheduling work within the audit team can at times be difficult in these circumstances.
17. Original planned audit work for 2022/23 which was not undertaken will be carried forward into the 2023/24 Audit plan.
18. During the year the Internal Audit team continued a hybrid arrangement of working from home and the office.

Additional Resource

19. In order to partially cover the back fill for a Principal Auditor acting up to Audit Manager during the year and another ongoing Principal Auditor vacancy, an external resource was brought in to undertake specific audits. The Internal Audit team engaged the services of the South West Audit Partnership (SWAP); they were contracted to complete 4 audit jobs in the 2022/23 Audit Plan:

Audit Job
Health & Safety (Occupational Health)
Capital Programme
Fostering Panel
Corporate Governance Follow Up

3 of these audit jobs were completed and issued as draft by year end. The remaining one has been brought forward as part of the 2023/24 audit plan and will be completed shortly.

Implementation of Agreed Management Actions

20. During the year the team sought assurance from operational managers that previously agreed management actions to improve the internal control environment and reduce the level of risk had been implemented. This related to 2021/22 finalised audit reports. 91% of agreed management actions had been implemented. Of the 9% that have not been implemented, reasons have been provided and / or revised timescales for implementation provided.
21. There are insufficient resources within the audit team to follow up on all audit reports issued to test and confirm that all of the agreed management actions have been implemented at an operational level. The implementation of agreed management action performance reported above is primarily based on managers feedback on this. The Internal Audit team therefore have to rely on managers to provide accurate feedback on whether or not they have implemented the actions they agreed.

National Fraud Initiative (NFI)

22. The Internal Audit Team is responsible for co-ordinating the NFI process for the Council, an initiative run by the Cabinet Office. This is a biennial data matching exercise that matches electronic data within and between participating bodies to detect and prevent fraud and overpayments from the public purse across the UK. On an annual basis Council Tax and Electoral Roll data is collated and matched.
23. NCC data has been uploaded for the current exercise and matches have been returned from the Cabinet Office (Jan-Mar 2023). Internal Audit and service areas are continuing to review the matches and verify their legitimacy, reporting any issues as fraud as necessary to the Chief Internal Auditor. NFI is the only dedicated piece of anti-fraud work being delivered by Internal Audit.

The Way Forward

24. Managers of the service areas need to ensure that robust internal controls are in place and adhered to in order to ensure that the systems in operation run efficiently and effectively and the scope for misappropriation, theft or error is minimised. Heads of Service have a responsibility to ensure that the Council's Financial Regulations are complied with at an operational level. Staff should be made aware of the Financial Regulations and the requirements therein and the consequences of non-compliance.
25. Internal Audit currently run bi-monthly corporate training sessions on Financial Regulations and Contract Standing Orders. These are mandatory for all staff who have a financial / administrative role within their post. 6 corporate sessions (available on a self-nomination basis) and 4 service area/team specific (as a result of a recent audit review) were delivered to 146 delegates during 2022/23. Attendance at mandatory training has been identified as a common theme of non-compliance in completed audit reviews. This has been reported into HR colleagues to address at a Corporate / Authority level and arrangements are now in place to improve the monitoring of attendance at mandatory training, including refresher cycles.
26. Adequate financial procedures need to be put in place and disseminated to all concerned to make sure that they are complied with to ensure systems and processes are run as intended by management. Agreed management actions stated in audit reports should be implemented to eliminate or reduce the weakness and minimise the risk.

Performance of the Internal Audit Section 2022/23 (Appendix E)

27. Despite not having a full complement of staff for the whole year;

- 77% of the approved audit plan was completed against a target of 80%;
 - Draft reports were issued within 5 days of completion;
 - Final reports were issued within 2 days of receiving management comments;
28. The Audit Team had an establishment of 7.5 staff (including the part time Chief Internal Auditor) and 2 vacancies in the team during the year. From 1st April 2023, an Audit Manager (1 FTE) has been removed from the staffing structure as a result of a budget saving.
29. During 2022/23 the team was supported by SWAP (South West Audit Partnership) who undertook some planned audit reviews to cover reduced resources.
30. Many of the managers within the Council also call upon the Audit Section for financial advice which is generally reactive. This can have an impact on planned audit reviews.
31. The Internal Audit service, and the Chief Internal Auditor in particular, looks to provide the greatest level of assurance to the Council it can, within the constraints of audit resources available. A key part of this is ensuring a wide coverage of audits across all parts of the Council which has a basis on risk assessment and resulting priorities. This will be more challenging than normal in 2023/24 given recent staff changes and the Chief Internal Auditor will have to monitor the situation closely and use a range of options to ensure appropriate audit coverage is provided. The Chief Internal Auditor will endeavour to provide adequate and appropriate audit coverage throughout the Council although prioritisation is required, given the reduced resources within the team. A separate report to Governance & Audit Committee set's out the 2023/24 Audit Plan and how it will be resourced and the risks around that.
32. The current level of resources does not meet the continuing needs of service led demands and requests. However, the level of resources will need to be assessed periodically in line with Internal Audit's on-going involvement with The Measure, performance indicators, the changing risk profile of the Council and auditing grant claims not reviewed by the external auditor.

Developments

33. The Chief Internal Auditor continued in his dual role acting in that capacity for both Newport City Council and Monmouthshire County Council during 2022/23. Since the departure of the Chief Internal Auditor in April 2023, this arrangement has been temporarily suspended whilst both Councils assess the best way forward together on their operating models, for the delivery arrangements of the internal audit service.
34. Where unfavourable audit opinions are issued it is the Head of Service's responsibility to inform their respective Cabinet Member of the situation and ensure that appropriate action is taken to address the issues identified. Heads of Service are reminded of this when they are sent each draft audit report. Internal Audit reviews and outcomes also now feature as a standard agenda item at Directorate Management Team meetings.
35. During 2017/18 the Internal Audit team had its self-assessment against the Public Sector Internal Audit Standards externally validated. The outcome was that the team is Generally Compliant, which is the highest level of achievement. The report and subsequent action plan were reported to Governance and Audit Committee in September 2018. Another External Quality Assessment is now due and will be completed during 2023/24. Results of which will be reported into Governance & Audit Committee.

Financial Summary

36. There are no financial issues related to this report.

Risks

37. If Members are not involved in the endorsing the Annual Internal Audit Report it would weaken the overall governance arrangements of the Council and be non-compliant with the Public Sector Internal Audit Standards, which therefore, could be subject to adverse criticism from the external auditor, currently Audit Wales.

Risk Title / Description	Risk Impact score of Risk if it occurs* (H/M/L)	Risk Probability of risk occurring (H/M/L)	Risk Mitigation Action(s) What is the Council doing or what has it done to avoid the risk or reduce its effect?	Risk Owner Officer(s) responsible for dealing with the risk?
Members not involved with audit reporting process	M	L	Internal Audit attend all Governance and Audit Committee meetings and present reports on a regular basis	Chief internal Auditor

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

38. Giving Management assurance on the systems in operation gives them confidence that there is sound financial management in place, that more effective and efficient services can be provided and the risk of theft, fraud and corruption is minimised. Better service provision and looking after the public pound makes our City a better place to live for all our citizens, hence delivering an ambitious, fairer, greener Newport for everyone. (Corporate Plan 2022-2027).

Options Available and Considered

39. This is a factual report and therefore there are no specific options to be considered. The annual report provides a mechanism for monitoring the performance and progress of the Internal Audit team and the adequacy of the Council's internal control environment to ensure the public pound is spent wisely and appropriately and that fraud, theft and corruption is minimised.
40. The Governance and Audit Committee is asked to note progress on delivery of the audit plan and the annual audit opinion given to date and ask questions, make observations and recommendations, as necessary.

Preferred Option and Why

41. As per paragraphs above as it is requirement of the Public Sector Internal Audit Standards and ensures good governance.

Comments of Chief Financial Officer

42. The annual report is a key summary report for the Committee and gives a useful outline on performance of the team as well as the results of the work undertaken. The team continue to deal with resourcing issues, and this has worsened very recently with the departure of a Principal Auditor and the Chief Internal Auditor. As the report outlines, this Council, alongside Monmouthshire County Council are looking at what options are open to us to move forward as we share common resourcing challenges (as do other Councils too) and this will be reported

back to the Committee in due course. As the report details, a sufficient amount of work was completed last year to give an opinion based on a reasonable coverage of work across the Council and a 'satisfactory overall opinion' issued.

Comments of Monitoring Officer

43. The Annual Internal Audit Report is in accordance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. The report confirms that adequate and effective internal financial controls are in place to ensure that the Council complies with its financial duties. The second part of the report puts the work of the Audit Section into context within the Council's Performance Management Framework and again highlights the effectiveness of the work undertaken by this service area.

Comments of Head of People, Policy & Transformation

44. There are no specific HR issues arising as a result of the report. In terms of Corporate Policy & Performance, the report presents a review of audit activity during the period concerned and is set out in the context of performance framework. Efficient and effective use of resources within agreed parameters is required if the Council is to operate in a sustainable way and within the principles of the WFG Act – long term, integration, prevention, collaboration and involvement. Audit activity should ensure that the Council is working to achieve the correct balance between meeting these requirements, managing short and medium term financial challenges and well managed risk.

Comments of Cabinet Member

45. Not applicable.

Local issues

46. No local issues.

Scrutiny Committees

47. Not applicable.

Equalities Impact Assessment

48. Not required.
49. The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from

protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

50. As this is an annual report on performance and audit opinions there is no requirement for an Equalities Impact Assessment. All audits are undertaken in a non-discriminatory manner.

Children and Families (Wales) Measure

51. Not appropriate.

Wellbeing of Future Generations (Wales) Act 2015

52. The role of Internal Audit supports the Council in complying with the principles of the Wellbeing Act and providing assurance on the activities undertaken across the Council. In compiling this report the principles of this Act have been considered:

Long term - The Internal Audit workload is based on an annual operational plan supported by a 5 year strategic plan that is aligned to the Council's Corporate Plan.

Prevention - Internal Audit identify strengths and weaknesses within the control environment of Newport City Council; addressing the weaknesses gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.

Integration - Internal Audit opinions provide an objective opinion on the adequacy of the Council's corporate governance, internal control and risk management environment in operation and support sound stewardship of public money.

Collaboration - Internal Audit work in collaboration with operational managers to develop an appropriate action plan in order to address identified concerns.

Involvement - Heads of Service and Senior Managers are invited to contribute to the audit planning process each year in order to prioritise audit resources. The involvement of the Governance & Audit Committee provides assurance and oversight of an effective internal audit provision to carry out its duties.

Consultation

53. Not applicable.


Background Papers

54. 2022/23 Approved Internal Audit Plan.

Dated:

APPENDIX A

Audit Opinions used in 2022/23

	GOOD (Green)	Well controlled with no critical risks identified which require addressing; substantial level of assurance.
	REASONABLE (Yellow)	Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.
	UNSATISFACTORY (Amber)	Not well controlled; unacceptable level of risk; changes required urgently; poor level of assurance.
	UNSOUND (Red)	Poorly controlled; major risks exist; fundamental improvements required with immediate effect; unacceptable level of assurance.

Unqualified	<p>The Financial Statement is free from material misstatement and presents fairly the activities of the organisation.</p> <p>The terms and conditions of the grant funding have been complied with.</p>
Qualified	<p>There is a lack of supporting information or documentation to verify that that figures quoted in the Financial Statement fairly represent the activities of the organisation.</p> <p>The terms and conditions of the grant funding have not been fully complied with.</p>

APPENDIX B

INTERNAL AUDIT - MANGEMENT INFORMATION – 2022/23 OUTTURN

Overall Council Opinion for 2022/23 is **Reasonable**

	2019/20	2020/21	2021/22	2022/23
Good	7	5	10	9
Reasonable	19	23	23	25
Unsatisfactory	6	1	2	3
Unsound	0	0	0	1
	32	29	35	38

Opinions issued:

Job number	Service Area	Section or Team	Job Title	Risk Rating / Priority	Final / Draft	Opinion given
P2223-P15	People, Policy & Trans	Human Resources	Health & Safety (Occupational Health)	High	Draft	Good
P2223-P16	People, Policy & Trans	Newport Intelligence Hub	Street Naming & Numbering	Medium	Final	Good
P2223-P39	Prevention & Inclusion	Early Years, Family Information Service & Play	Family Information Service	Medium	Final	Good
P2223-P48	Education Serv	Resources & Planning	Trips & Visits Evolve System (Follow-up #2)	High	Final	Good
P2223-P49	Education Serv	Engagement & Learning	Gwent Music Support Service (Follow-up)	High	Final	Good
P2223-P55	Education Serv	Primary Schools	Gaer Primary School	Medium	Draft	Good
P2223-P56	Education Serv	Primary Schools	Malpas Park Primary School	Medium	Draft	Good
P2223-P75	Environment & PP	Public Protection	Neighbourhood - Community Safety Warden Service	Medium	Final	Good
P2223-P78	Environment & PP	Climate Change	Carbon Reduction Team (2021/22)	Medium	Final	Good
P2223-P2	Finance	Accountancy	Capital Programme	High	Draft	Reasonable
P2223-P3	Finance	Income & Tax	Sundry Debtors	Medium	Final	Reasonable
P2223-P4	Finance	Procurement & Payments	Purchasing Cards - System	High	Final	Reasonable
P2223-P6	Finance	Benefits	Housing Benefits Follow-up	High	Draft	Reasonable

Job number	Service Area	Section or Team	Job Title	Risk Rating / Priority	Final / Draft	Opinion given
P2223-P11	People, Policy & Trans	Digital Services & Complaints	Internal Mobile Telephony (Follow-up)	High	Draft	Reasonable
P2223-P12	People, Policy & Trans	Digital Services & Complaints	Payment Card Industry Data Security Standards (PCI DSS) (Follow-up)	High	Final	Reasonable
P2223-P13	People, Policy & Trans	Human Resources	HR/Payroll CAATs	Medium	Final	Reasonable
P2223-P14	People, Policy & Trans	Human Resources	Recruitment & Selection	High	Final	Reasonable
P2223-P22	Law & Standards	Legal	Land Charges	Medium	Final	Reasonable
P2223-P23	Law & Standards	Registration	Registration Services	Medium	Draft	Reasonable
P2223-P26	Children Services	Childrens Teams	Children With Disabilities	Medium	Final	Reasonable
P2223-P28	Children Services	Fostering & Adoption	Fostering Panel	Medium	Draft	Reasonable
P2223-P29	Children Services	Residential Homes	Rose Cottage	Medium	Final	Reasonable
P2223-P31	Children Services	Residential Homes	Control Risk Self-Assessments	Medium	Final	Reasonable
P2223-P35	Adult Services	Integrated Teams	Mental Health Service (2021/22)	High	Final	Reasonable
P2223-P36	Adult Services	Residential Homes	Control Risk Self-Assessments	Medium	Final	Reasonable
P2223-P50	Education Serv	Inclusion / ALN	Education Psychology	Medium	Draft	Reasonable
P2223-P57	Education Serv	Primary Schools	Rogerstone Primary School 2021/22	Medium	Final	Reasonable
P2223-P60	Education Serv	Primary Schools	Malpas Church in Wales Primary School	Medium	Draft	Reasonable
P2223-P64	Education Serv	Schools	Control Risk Self-Assessments	Medium	Final	Reasonable
P2223-P69	City Services	Fleet	Vehicle Usage & Trackers (Follow up)	High	Final	Reasonable
P2223-P77	Environment & PP	Public Protection	Newport City Dogs Home (Follow Up)	High	Draft	Reasonable
P2223-P79	Environment & PP	Cemetery & Crematorium	Gwent Crematorium	Medium	Final	Reasonable
P2223-P80	Environment & PP	Waste & Cleansing	Waste Collection (Refuse)	Medium	Final	Reasonable
P2223-P81	Environment & PP	Waste & Cleansing	Household Waste Recycling Centre	Medium	Final	Reasonable
P2223-P5	Finance	Procurement & Payments	Purchasing Cards - Transactions	Medium	Final	Unsatisfactory
P2223-P27	Children Services	Fostering & Adoption	Adoption Allowances (Follow Up #2)	High	Draft	Unsatisfactory

Job number	Service Area	Section or Team	Job Title	Risk Rating / Priority	Final / Draft	Opinion given
P2223-P70	City Services	Transport	PTU Taxi Contracts (Follow-Up) 2021/22	High	Draft	Unsatisfactory
P2223-P30	Children Services	Safeguarding	Safeguarding - Children's Money	High	Final	Unsound
P2223-P53	Education Serv	Grants	Education School Improvement Grant (SIG) 2021/22	Medium	Final	Unqualified
P2223-P54	Education Serv	Grants	Pupil Development Grant (PDG) 2021/22	Medium	Final	Unqualified
P2223-P76	Environment & PP	Public Protection	Scambusters Grant Claim 2021/22	Medium	Final	Unqualified
P2223-P84	Housing & Communities	HSG / Supporting People	Housing Support Grant (HSG) 2021/22	Medium	Final	Unqualified

APPENDIX C

2022/23 Jobs in the Audit Plan which were not completed by year end 31.03.23 (x21)

Job number	Service Area	Section or Team	Job Title	Risk Rating / Priority
P2223-P17	People, Policy & Trans	Policy & Partnership	Corporate Governance (Follow-Up) *	High
P2223-P21	Law & Standards	Democratic Services	Electoral Registration	Medium
P2223-P34	Adult Services	Integrated Teams	Occupational Therapy Service	Medium
P2223-P41	Regen & Economic Dev	Work & Skills	Skills & Work Contract	Medium
P2223-P42	Regen & Economic Dev	City Regeneration	Regeneration Initiatives	Medium
P2223-P43	Regen & Economic Dev	Planning, Building Control & Development	Planning Contributions (S106 Agreements) *	Medium
P2223-P44	Regen & Economic Dev	Destination	Transporter Bridge	Medium
P2223-P47	Education Serv	Resources & Planning	School Admissions & Appeals *	Medium
P2223-P51	Education Serv	Inclusion / ALN	ALN	Medium
P2223-P52	Education Serv	Inclusion / ALN	Education Other Than At Schools (EOTAS)	Medium
P2223-P58	Education Serv	Primary Schools	Marshfield Primary	Medium
P2223-P59	Education Serv	Primary Schools	St Mary's RC Primary	Medium
P2223-P61	Education Serv	Primary Schools	Jubilee Park Primary	Medium
P2223-P62	Education Serv	Secondary Schools	Ysgol Gyfun Gwent Is Coed	Medium
P2223-P63	Education Serv	Special Schools	Ysgol Bryn Derw	Medium
P2223-P68	City Services	Fleet	Fleet / Vehicle Management	Medium
P2223-P71	City Services	Transport	Traffic, Transport & Road Safety (Car Parks) *	High
P2223-P74	Environment & PP	Public Protection	Private Sector Housing (HMO)	Medium
P2223-P85	Housing & Communities	Strategic Housing	Private Sector Housing (Leasing) *	Medium
P2223-P86	Housing & Communities	Housing Needs & Homelessness	Housing Needs	High
P2223-P89	External Audits	SWCAG Training Programme	SWCAG** Training Programme	Not applicable

* Jobs were in progress as at 31.03.23 and will be issued in draft in Qtr 1 2023/24

** South Wales Chief Auditors Group

APPENDIX D

Non opinion Audit Work Completed during 2022/23

Job number	Service Area	Section or Team	Job Title
P2223-P1	Finance	Accountancy	New Financial System
P2223-P7	Finance	Accountancy	Annual Governance Statement
P2223-P8	Finance	General	National Fraud Initiative (NFI)
P2223-P9	Finance	General	Financial Advice
P2223-P10	Finance	General	Follow up of Agreed Management Actions 2021/22
P2223-P18	People, Policy & Trans	General	Financial Advice
P2223-P19	People, Policy & Trans	General	Financial Regulations Training
P2223-P20	People, Policy & Trans	General	Follow up of Agreed Management Actions 2021/22
P2223-P24	Law & Standards	General	Financial Advice
P2223-P25	Law & Standards	General	Follow up of Agreed Management Actions 2021/22
P2223-P32	Children Services	General	Financial Advice
P2223-P33	Children Services	General	Follow up of Agreed Management Actions 2021/22
P2223-P37	Adult Services	General	Financial Advice
P2223-P38	Adult Services	General	Follow up of Agreed Management Actions 2021/22
P2223-P40	Prevention & Inclusion	General	Financial Advice
P2223-P45	Regen & Economic Dev	General	Financial Advice
P2223-P46	Regen & Economic Dev	General	Follow up of Agreed Management Actions 2021/22
P2223-P65	Education Serv	General	Schools Financial Regulations Training / Cluster Meetings
P2223-P66	Education Serv	General	Financial Advice
P2223-P67	Education Serv	General	Follow up of Agreed Management Actions 2021/22
P2223-P72	City Services	General	Financial Advice
P2223-P73	City Services	General	Follow up of Agreed Management Actions 2021/22
P2223-P82	Environment & PP	General	Financial Advice

Job number	Service Area	Section or Team	Job Title
P2223-P83	Environment & PP	General	Follow up of Agreed Management Actions 2021/22
P2223-P87	Housing & Communities	General	Financial Advice
P2223-P88	Housing & Communities	General	Follow up of Agreed Management Actions 2021/22
P2223-P90	External Audits	Peer Assessment (PSIAS)	Peer Assessment (PSIAS)

APPENDIX E

Internal Audit Performance Indicators 2022/23

	2021/22 Target	2021/22 Actual	2022/23 Target	2022/23 Actual
Proportion of planned audits complete	82%	71%	80%	77%
Directly chargeable time against total time available	50%	53%	50%	54%
Directly chargeable time against planned	100%	80%	100%	tbc
Proportion of Special Reviews responded to within 5 days	100%	100%	100%	100%
Continue to train staff in all Service Groups/Areas on best financial practice – Number of sessions delivered	8	11	8	10
Staff turnover	0	1	0	0
Promptness of draft report issue: end of fieldwork to draft report issue date	10 days	5 days	10 days	5 days
Promptness of report finalisation: client response to final report issue date	5 days	3 days	5 days	2 days

Report

Governance and Audit Committee

Part 1

Date: 25th May 2023

Subject Internal Audit Annual Plan 2023/24

Purpose To inform Members of the Council's Governance and Audit Committee of the Internal Audit Section's Operational Audit Plan for 2023/24.

For the Governance and Audit Committee to comment on as appropriate and approve the 2023/24 Operational Internal Audit Plan.

Author Acting Chief Internal Auditor

Ward General

Summary Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, effective and efficient use of the Council's resources.

The attached report is the Operational Internal Audit Plan for 2023/24 based on an assessment of risk and available audit resources for the 12 months of the financial year. The plan is based on delivering 862 audit days.

The Council's Section 151 Officer has the legal responsibility for the provision of Internal Audit.

Proposal That the Internal Audit Annual Plan 2023/24 be noted and approved by the Council's Governance and Audit Committee.

Action by The Governance and Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People, Policy & Transformation

Signed

Background

1. This report aims to inform Members of the Governance and Audit Committee of the work to be undertaken by the Internal Audit Section at an operational level for 2023/24. It identifies why the Council operates an Internal Audit function, the resources currently available and how they will be applied across the services of Newport City Council to give management assurance that systems are working as intended.
2. The plan has been compiled from cumulative audit knowledge and experience, with reference to the Corporate Plan, Service Plans, Newport's Corporate Risk Register, Budget and Medium Term Revenue Plans and external audit reports along with previous history of known problems, issues or risks. The views and concerns of service area management teams have also been incorporated into prioritising workloads for the audit planning process. The Executive Board and Heads of Service have been afforded the opportunity to contribute to the drafting of the plan.
3. As a result of Covid-19, audit work has been re-prioritised in conjunction with Heads of Service. Some of the audits planned in 2022/23 which were not undertaken have been included within this year's plan.
4. The Head of Finance is, for the purposes of Section 151 of the 1972 Local Government Act, responsible for the proper administration of the Council's financial affairs. More specifically, The Accounts and Audit (Wales) Regulations 2014 require that the relevant body maintains an adequate and effective internal audit function. Under the direction of the Chief Internal Auditor, the Internal Audit Section at Newport City Council undertakes this provision on behalf of the Head of Finance.
5. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It provides assurance or otherwise to management.
6. An organisation as diverse as the City Council has many internal systems which require appropriate controls. Each of these systems can be considered appropriate for internal audit review along with the Council's establishments. However, it is not considered appropriate to review all systems every year so they are undertaken on a cyclical basis, prioritised by way of a risk assessment approach (high, medium or low priority). The attached audit plan (**Appendix 1**) shows a summary of how the Internal Audit resource will be allocated across the 11 service areas. The more detailed plan (**Appendix 2**) shows how the systems operated and services provided will be covered during the year broken down by Directorate and service area. An additional appendix (**Appendix 3**) details the strategic audit plan (audit universe) sorted by date of last audit for information.
7. The operational plan takes account of available audit resources and an allowance for financial advice, delivering corporate training and special investigations have also been included. Allowances for non-productive days such as general and specific training, management, holidays, sickness and professional studies as needed, have also been made in arriving at the number of available audit days for 2023/24. Total days available at the outset amounted to 1,166 days, less non-productive days, leaves 862 days available to undertake audit work (includes an element for vacancies).
8. With a full establishment, the number of audit days available would be 1009 but the actual available days noted above takes into account the current vacancies in place and the following assumptions:
 - recruitment of 2 Principal Auditors from October 2023 onwards
 - 80 audit days from external internal audit resource

Recruitment remains a challenge, especially for qualified and experienced staff and therefore there is risk involved in delivering the audit days noted above. Further use of an external internal audit resource will need to be considered but that will not deliver the same number of audit days and therefore the risk to the delivery of the audit plan is somewhat uncertain at this point.

9. The timing of each review in the 5-year cycle depends on an assessment of the risk that each system poses for the Council, Service Area and Section. A number of factors are taken into account when assessing risk, but it should be stressed that management are responsible for managing that risk, and are best placed to identify the risk in the first place. Accordingly, the views of the management teams within each service area have been sought when compiling this plan and incorporated where appropriate.
10. Although Internal Audit has limited resources (establishment of 6.5 FTE staff including the part time Chief Internal Auditor), the aim is to provide as much coverage of the Council's systems and establishments as possible.
11. The Internal Audit plan has been circulated to Heads of Service to ensure the risk profile determined by the audit management team is correct. Heads of Service have welcomed the continued opportunity to contribute to the audit planning process and view it as a positive move forward.
12. The initial plan for the year always starts off as a "long-list" of what work we should be covering in that particular year. In an ideal world these are the audits the team should be undertaking in 2023/24 based on the strategic plan. The long list is further risk assessed with audit work prioritised. This annual plan is based on resources available of 862 audit days.
13. We have to balance the plan with the resources we have available the best we can. The 2023/24 operational plan aims to cover the areas stated within the given time allocations and will provide assurance to managers on the effectiveness of their internal controls and safeguard the assets of the Authority whilst covering the key risks. Time allocations per review are tight but have been set to provide as much coverage as possible within service areas. External support will be brought in to support the delivery of the audit plan and cover the existing Principal Auditor vacancies (x2).
14. The UK was subject to the Pandemic, Covid-19, late February early March 2020. Work in the Council was prioritised to deliver essential front line services which meant Internal Audit was unable to undertake its normal duties early in 2020/21 and throughout 2021/22. Following discussions with Heads of Service and optimism that Covid-19 restrictions would not return, there was less disruption to the 2022/23 plan and the 2023/24 plan should not be disrupted to any significant degree. In saying that; hybrid working continues to cause some challenges with availability of service area staff and documents for those audits which have progressed and scheduling work within the audit team can at times be difficult in these circumstances. As has been noted above, recruitment challenges may also impact on the delivery of the audit plan.
15. Agreed management actions of previous audit reports will be followed up during 2023/24; this will identify the progress managers have made on addressing weaknesses in internal control; i.e. have the agreed management actions been implemented? This could impact on the coverage planned for other systems within service areas. This will be reported back to the Governance and Audit Committee.
16. From time to time the risk profile or priority of audit workload or service area may change so the planning process needs to be flexible enough to accommodate this. Where significant changes to the operational plan are required, the matter will be reported to the Head of Finance for approval; this will subsequently be reported to the Governance and Audit Committee. Internal Audit's performance against this plan will continue to be reported to the Governance and Audit Committee on a regular basis.
17. Ultimately, the Audit Team has to undertake sufficient work across the whole Authority to enable the Chief Internal Auditor to give an overall annual audit opinion, and hence assurance, on the

adequacy of the internal control environment of the systems operated within the Council. The Audit Team will need to be flexible enough and adaptable to respond to changing priorities within the Council in order to provide the assurances required. Since the departure of the Chief Internal Auditor in April 2023, the dual role arrangement with Monmouthshire County Council has been temporarily suspended whilst both Councils assess the best way forward together on their operating models, for the delivery arrangements of the internal audit service.

Risk Analysis

18. The risks that the Council face are many and varied. A number of factors have been taken into consideration in compiling the operational one-year plan; financial budgets, previous audit work, The Measure, history of fraud, theft, misappropriation or non-compliance, changes in systems, changes in key personnel, along with concerns of management. A risk assessment exercise is undertaken in compiling the audit plan.
19. The audit workload needs to be prioritised to ensure appropriate coverage is given in all service areas and that assurance can be given that Council and service area objectives are being achieved. This is helped with Heads of Service and their senior managers being involved with the process and contributing to the risk profile assessment as a collaborative exercise with Internal Audit.
20. Grant income and external funding is still very prominent within the finances of the Council; from time to time, Internal Audit may be requested to audit some grants, therefore, a limited number of days have been included in the Internal Audit planning process for this.
21. In the Audit Section's continual efforts to ensure that Council assets are safeguarded and to provide assurance to management that their internal controls are robust, further training specifically on Financial Regulations and Contract Standing Orders has been incorporated in the audit plan. Heads of Service have noted that this is a positive step and encourage their staff to attend.
22. A requirement of the Accounts and Audit (Wales) Regulations 2014 is that an Annual Governance Statement needs to be included with the Statement of Accounts; this covers corporate governance, performance measurement and risk management as well as internal financial control. The Acting Chief Internal Auditor will continue to be involved with collating and co-ordinating the relevant information to support this statement, although the preparation of the statement should be a corporate responsibility. The draft Annual Governance Statement will go through CMT for comment and approval before being presented as part of the Statement of Accounts.
23. An allocation of time has been included in the plan for special investigations and unplanned work which members of the team may get involved with during the year. These could range from allegations of fraud or theft to non-compliance with Contract Standing Orders and Financial Regulations. The allocation has been consistent over the last few years; for 2023/24 the allocation is 150 days:

Year	Allocation of days for special investigations
2019/20	150
2020/21	150
2021/22	150
2022/23	150
2023/24	150

Provision of Internal Audit - Opportunities

24. There is a potential change to the way audit services are delivered across South Wales with shared services on the agenda following the Williams Report. Since the departure of the Chief Internal Auditor in April 2023, and the dual role arrangement with Monmouthshire County Council temporarily suspended, opportunities for collaboration will be explored further during 2023/24.

Independence

25. Independence is achieved through the organisational status of Internal Audit and the objectivity of internal auditors. In order to ensure the objective nature of audit reviews is not compromised, Internal Audit must be seen to be demonstrably independent of all managerial influence. Within Newport City Council this is achieved as follows:

- the Chief Internal Auditor is responsible for the control and direction of Internal Audit;
- the Chief Internal Auditor has a duty to report direct to the Chief Executive and the Leader of the Council on any matter which he feels appropriate, in particular where the Head of Finance appears to be personally involved;
- individual audit reports are sent to service managers and Heads of Service as appropriate in the name of the Chief Internal Auditor; and
- the Chief Internal Auditor submits an annual report to the Governance and Audit Committee giving an overall opinion on the adequacy of internal controls operated within the Council.

Audit Opinions - Update

26. At the end of each audit review an audit opinion is given on the level assurance gained from the internal controls operated within that system or establishment. Taking into account strengths and weaknesses, the previous suite of opinions ranged from good through to unsound:

GOOD	Well controlled with no critical risks identified which require addressing; substantial level of assurance.
REASONABLE	Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.
UNSATISFACTORY	Not well controlled; unacceptable level of risk; changes required urgently; poor level of assurance.
UNSOUND	Poorly controlled; major risks exist; fundamental improvements required with immediate effect; unacceptable level of assurance.

27. Internal Audit will be revising the audit opinions used in audit reports from 2023/24 onwards and these will be based on those as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA commissioned a special interest group to examine the range of current reporting practice and opinions in use by different internal audit providers across the UK public sector. The exercise included 52 organisations across the public sector including small in-house internal audit teams, large shared services, external commercial audit firms and specialist assurance providers. The results were analysed alongside a review of professional and regulatory practice and standards. A report, Internal Audit Engagement Opinions – Setting Common Definitions, was published in 2020. This recommended a standardised approach to Internal Audit Opinions across the public sector. The new suite of opinions from 2023/24 will be as follows:

	SUBSTANTIAL	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
	REASONABLE	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited
	LIMITED	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited
	NO ASSURANCE	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited

28. 48 audit opinion jobs and 27 non-opinion jobs have been incorporated within the 2023/24 Plan, which includes 4 grant claim audits.

Structure

29. Wef 1st April 2023, the Internal Audit Section comprises of one team led by an Audit Manager reporting directly to the Chief Internal Auditor. The section has an establishment of 6.5 FTE and is responsible for auditing all of the Council's systems and establishments including the payroll functions for 6,000+ staff. Actual FTE is currently 4, due to 2 Principal Auditor vacancies and the recent departure of the shared Chief Internal Auditor. The Audit Manager is currently acting up as the Chief Internal Auditor on a part time basis (50%) as well as covering the Audit Manager role. To help facilitate this, the Principal Auditor is undertaking some management and supervisory roles and the effectiveness of this temporary change will need to be constantly reviewed to ensure it is working.

Resources

30. Consideration has been given to the appropriate level of resources for Internal Audit at Newport City Council. The current establishment of 6.5 staff remains just about adequate for the current level of assessed risk as outlined above; a greater audit resource could provide a greater assurance to management and allow the section to be even more responsive to changing priorities and risk profiles throughout the year. Any unplanned absences such as long term sickness or prolonged special investigations could significantly affect the audit plan as cover is limited.

31. The current vacancies have been factored in when calculating the available audit days for 2023/24. Additional external audit resource will be bought in to cover the 2 vacant Principal Auditor (PA) posts. We have assumed the vacant posts will be recruited to by the second half of the financial year. If this is not possible and recruitment is not successful, additional external audit resource will be sourced, subject to budget availability.

32. If the risk profile of the Council significantly changes or if more investigations into allegations of Council staff are required than were planned for, then consideration will need to be given to

increasing the resources of the Internal Audit team in order to maintain the current level of service provided.

33. It has been difficult to prioritise workload for 2023/24; after discussions with senior management teams in the service areas, in particular Social Services and Education Services, it was evident that a lot more audit coverage was required than the team is resourced to deal with. This is not uncommon and as always, prioritisation was required to match demand/risk reviews and resources available.

Staffing & Training

34. The Section is supported by staff on a range of grades with appropriate professional qualifications including part qualified and fully qualified accountants and auditors. The staff have considerable experience of working within the local authority and audit environment. The Acting Chief Internal Auditor is a qualified CIPFA accountant (Chartered Institute of Public Finance and Accountancy) and has extensive working knowledge of internal audit practices within the public sector. Others in the team are part qualified / studying either IIA, ACCA or AAT.
35. Audit management will continue to support professional and work related training in order to enhance the Section's effectiveness in service delivery in line with the Council's management expectations and the Public Sector Internal Audit Standards. This will ensure that all staff are kept up to date with developments in auditing techniques and changes within local government which may impact on the provision of the service.
36. The team normally arranges technical audit training on behalf of the South Wales Chief Auditors' Group throughout the year which Newport's Internal Audit staff have the opportunity of attending. These sessions are run on a breakeven basis. This will be reviewed during 2023/24.

External Auditor Relations

37. The Council's external auditor is Audit Wales. The Internal Audit team has developed a good working relationship with the team and will continue to do so to work jointly, share good practice and avoid duplication. They will also continue to assess Internal Audit against the standards to ensure that a professional and effective service is being provided.
38. The Chief Internal Auditor will continue to ensure compliance with the Public Sector Internal Audit Standards.

Service Areas

39. Many of the managers within the Council call upon the Internal Audit Section for financial advice which is incorporated within the plan. Audit staff are more than willing to offer any help and assistance they can to ensure that operations are undertaken properly but this also has an impact on planned audit reviews where time allocations are exceeded.
40. As a service to all levels of management, it is important that Internal Audit is seen as contributing positively to managers undertaking their responsibilities. These are wide ranging but include the prevention of fraud and corruption and securing the efficient and effective delivery of services; part of management obligations under the Council's Financial Regulations.

Impact of Covid-19

41. The pandemic struck Wales mid February, early March 2020. All Council staff were advised to work from home from the 18th March 2020. This continued into 2021/22 and during 2022/23, hybrid

working between the Civic Centre, operational premises / establishments and home became the norm.

42. As per the Internal Audit Annual Reports 2019/20, 2020/21 and 2021/22, we were unable to complete all work as planned as service areas re-prioritised their staff and workloads, staff became unavailable, meetings and site visits were cancelled and requests came in to postpone ongoing audit work. 2022/23 was also impacted to some degree.

43. Generally in Q1 of our audit plan the team are finalising reports that were in draft at year end, completing audit jobs which were ongoing at year end, picking up carried forward jobs from the previous year and starting new year audit jobs. In order to undertake audit work effectively and efficiently we need the co-operation of service managers and the staff in their service areas to accommodate site visits, meetings and provide relevant documentation.

Financial Summary

44. There are no financial issues related to this report.

Risks

45. If Members are not involved in the process of endorsing the Annual Internal Audit Plan then this weakens the governance arrangements and would be non-compliant with the Public Sector Internal Audit Standards, which could then be subject to adverse criticism from the external auditor, currently Audit Wales.

Risk Title / Description	Risk Impact score of Risk if it occurs* (H/M/L)	Risk Probability of risk occurring (H/M/L)	Risk Mitigation Action(s) What is the Council doing or what has it done to avoid the risk or reduce its effect?	Risk Owner Officer(s) responsible for dealing with the risk?
Members not involved in approving the IA Annual Plan	M	L	The Chief Internal Auditor reports regularly into Governance and Audit Committee so its Members are aware of the obligations of Internal Audit and its plans.	Chief Internal Auditor

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

46. The work of Internal Audit supports all of the Council's priorities and plans.

Options Available

47. (1) That the Annual Internal Audit Plan for 2023/24 be approved, subject to any amendments suggested by the Governance and Audit Committee.

Preferred Option and Why

48. Option (1) as it is requirement of the Public Sector Internal Audit Standards.

Comments of Chief Financial Officer

49. The Internal Audit operational plan is shown in an Appendix to the report and identifies the areas agreed for review. This has been co-produced between the Internal Audit team and Chief Officers / Directors and incorporates the audit team's strategic and risk assessment with local priorities. Audit coverage is adversely affected by a lower level of resources in 2023/24, mainly due to current high level of vacancies and which can only be partially mitigated by external resources. The Committee should appreciate the risk of delivering the plan in 2023/24 due to the challenges of recruiting suitable qualified/experienced staff and if recruitment was unsuccessful; it would reduce audit coverage further. This will be updated and reported to the Committee in early Autumn. In the worst-case scenario where audit coverage is very significantly affected; it could affect the ability of the Chief Internal Auditor to provide an overall assessment of the Council's risk and control environment for 2023/24 and focus and time is being given to prevent this situation as far as is possible.

Comments of Monitoring Officer

50. There are no specific legal issues arising from the report, which sets out the operational Internal Audit Plan for 2023/24 and identifies the specific areas of audit work that will be carried out, having regard to the corporate risk profile and available staffing resources. The Council has a statutory duty under the Accounts and Audit (Wales) Regulations 2014 to ensure that it has adequate and effective financial management and a sound system of internal control, which is reviewed regularly. The Governance and Audit Committee has responsibility under the Local Government (Wales) Measure 2011 to keep under review the Council's risk management, internal control and corporate governance arrangements and to oversee the work of the internal audit team. Therefore, the Governance and Audit Committee are required to consider the operational plan and satisfy themselves that the annual work programme to be undertaken by the internal audit team is sufficient to discharge this responsibility.

Comments of Head of People, Policy & Transformation

51. There are no specific HR issues arising as a result of the report. which sets out the operational Internal Audit Plan for 2023/24 and identifies the specific areas of audit work that will be carried out, having regard to the corporate risk profile and available staffing resources. Efficient and effective use of resources within agreed parameters is required if the Council is to operate in a sustainable way and within the principles of the Well-Being of Future Generations Act. Audit activity should ensure that the Council is working to achieve the correct balance between meeting these requirements, managing short and medium term financial challenges and well managed risk.

Comments of Cabinet Member

52. Not applicable.

Local issues

53. No local issues.

Scrutiny Committees

54. Not applicable.

Equalities Impact Assessment

55. The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

56. As this is an annual report on planned audit work there is no need for an Equalities Impact Assessment. All audits are undertaken in a non-discriminatory manner.

Children and Families (Wales) Measure

57. Not appropriate.

Wellbeing of Future Generations (Wales) Act 2015

58. The role of Internal Audit supports the Council in complying with the principles of the Wellbeing Act and providing assurance on the activities undertaken across the Council. In compiling this report the principles of this Act have been considered:

Long term - The Internal Audit workload is based on an annual operational plan supported by a 5 year strategic plan that is aligned to the Council's Corporate Plan.

Prevention - Internal Audit identify strengths and weaknesses within the control environment of Newport City Council; addressing the weaknesses gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.

Integration - Internal Audit opinions provide an objective opinion on the adequacy of the Council's corporate governance, internal control and risk management environment in operation and support sound stewardship of public money.

Collaboration - Internal Audit work in collaboration with operational managers to develop an appropriate action plan in order to address identified concerns.

Involvement - Heads of Service and Senior Managers are invited to contribute to the audit planning process each year in order to prioritise audit resources. The involvement of the Governance & Audit Committee provides assurance and oversight of an effective internal audit provision to carry out its duties.

Consultation

59. Not applicable.

Background Papers

60. 2022/23 Internal Audit quarterly reports, Corporate Plan, Corporate Risk Register, Service Plans.

Dated:

APPENDIX 1

Internal Audit Services		
Operational Audit Plan for 2023/24		
Service Area	Number of Days	Percentage of Plan
Finance	108	12%
People, Policy & Transformation	74	9%
Law & Standards	36	4%
Children Services	67	8%
Adult Services	54	6%
Prevention & Inclusion	35	4%
Infrastructure	39	5%
Environment & Public Protection	32	4%
Housing & Communities	61	7%
Regeneration & Economic Development	47	5%
Education Services	155	18%
Peer Assessment - PSIAS (EQA)	5	1%
Special Investigations	150	17%
Total Days for Operational Plan	862	100.00%

Total Resources Available within the IA team = 862 audit days

APPENDIX 2

INTERNAL AUDIT ANNUAL PLAN 2023/24

CHIEF EXECUTIVE

Regeneration & Economic Development		Last Review	Risk	2023/24 Days
City Regeneration				
	Regeneration Initiatives	-	M	15
	- Targeted Regeneration Investment Funding (Prev VVP)	2017/18		
	- Heritage Lottery Funding	Never		
	- Newport Market	2005/06		
Economic Development				
	Business Support Loans & Grants	2017/18		
Work & Skills				
	Work, Skills & Performance	-		
	- Inspire to Achieve	2018/19		
	- Inspire to Work	Never		
	- Skills & Work Contract	2015/16	M	15
Planning, Building Control & Development				
	Development Control	-		
	- Planning Applications	2020/21		
	- Planning Enforcement	2020/21		
	- Historic Building Conservation	Never		
	Building Control	2021/22		
	Planning Policy	-		
	- Planning Obligations (S106)	2017/18	M	13
	Technical Support	Never		
Destination				
	Museum & Heritage			
	- Museum & Art Gallery	2019/20		
	- Medieval Ship	2008/09		
	- Transporter Bridge	2012/13		
	- Tredegar House (National Trust Agreement)	2012/13		
	Destination Development (inc City Festivals & Events)	2019/20		
Newport Live				
	Newport Live (Partnership Arrangements)	2019/20		
General				
	Financial Advice	Annual		3
	Follow up of Agreed Management Actions 2022/23	Annual		1
	Finalisation of 2022/23 Audits			
Total Planned Days for Regeneration & Economic Development				47

Education		Last Review	Risk	2023/24 Days
School Improvement				
	Education Achievement Service (Partnership Arrangements)	Never		
Engagement & Learning				
	Education Welfare Service	2017/18		
	Early Years	2020/21		
Inclusion / Additional Learning Needs (ALN)				
	Bridge Achievement Centre (PRU) (Follow Up)	2019/20		
	Behaviour & Autism	-		
	- Advisory Service	Never		
	- Pupil Exclusions	2021/22		
	Educational Psychology	2022/23		
	Additional Learning Needs (ALN)			
	- ALN Assessments	2015/16		
	- ALN Out of County Placements	2020/21		
	- ALN Recoupment	2009/10		
	- ALN Equipment & Resources	Never		
	- ALN Transport	Never		
	Education Other Than At Schools (EOTAS)	2005/06		
Resources & Planning				
	School Admissions & Appeals 2022/23	2010/11	M	3.5
	21st Century Schools Capital Programme	Never		
	School Reorganisation Programme	Never		
	Education Properties (Caretakers)	2006/07		
	School Meals	-		
	- Catering Contract Management (Chartwells)	2012/13	M	10
	- Outside Preferred Catering Contractor (Schools)	2017/18		
	- Cashless Catering (Parent Pay)	Never		
	- Free School Meals	2010/11		
	Breakfast Clubs	Never	M	15
	Trips & Visits (Evolve System) (Follow Up #2)	2022/23		
	Healthy Schools	Never		
Gwent Education Minority-Ethnic Service (GEMS)				
	Gwent Education Minority-Ethnic Service (GEMS)	2017/18		
Gwent Music Service				
	Music Support Service (Follow Up)	2022/23		
Nursery Schools				
	Kimberley Nursery Closure / Amalgamation	2021/22		
	Fairoak Nursery Closure / Amalgamation	2021/22		
	Newport Nursery	Never		
Primary Schools				
	Marshfield Primary	2013/14	M	10
	St Mary's RC Primary	2013/14	M	10

	Jubilee Park Primary	Never	M	10
	Glan Llyn Primary School	Never	M	10
	Pillgwenlly Primary School	2018/19	M	10
Secondary Schools				
	Ysgol Gyfun Gwent Is Coed	Never	M	12
Special Schools				
	Maes Ebbw	2017/18		
	Ysgol Bryn Derw	Never	M	12
Grants				
	Education School Improvement Grant (SIG) 2022/23	Annual	M	5
	Pupil Development Grant (PDG) 2022/23	Annual	M	5
	Appetite for Life Grant	2012/13		
Other - School Related				
	CRSA's / Healthcheck - Secondary / Primary / Nursery	Annual	M	12
	John Frost Sports Hall	2011/12		
	Post-16 Funding	Never		
	Deficit Budget Project	2019/20		
	Schools Financial Regulations Training / Cluster Meetings	Annual		3
General				
	Financial Advice	Annual		15.5
	Follow up of Agreed Management Actions 2022/23	Annual		3
	Finalisation of 2022/23 Audits			8.5
Total Planned Days for Education				155

ENVIRONMENT & SUSTAINABILITY

		Last Review	Risk	2023/24 Days
Housing & Communities				
Strategic Housing				
	- Private Sector Housing (Leasing)	2009/10	H	12
	Housing Renewals			
	- Empty Homes (Houses to Homes Grant)	2013/14		
	Ellen Ridge Gypsy & Traveller Site	Never		
Housing Needs & Homelessness				
	Housing Needs	-	H	15
	- Home Options (Common Register)	2018/19		
	- Homelessness Assessment & Prevention	2017/18		
HSG / Supporting People				
	Supporting People	2013/14		
	- Housing Support Grant 2022/23	2022/23	M	7

	- Homelessness Prevention Grant	2021/22		
Environmental Health Housing				
	- Private Sector Housing (HMO)	2012/13	M	15
Community Regeneration				
	Communities First	2009/10		
	Community Buildings / Hubs	Never		
	- Directly Managed	2008/09		
	- Voluntary Managed	2015/16		
	- Community Development Improvement Plan	2011/12		
	- Financial & Admin Systems	2009/10		
	Business Support Team	Never		
	Community Learning & Libraries	-		
	- Adult Education	2015/16		
	- Library Service	2014/15		
Community Cohesion				
	Community Cohesion	Never		
Vulnerable Persons Resettlement Scheme				
	Vulnerable Persons Resettlement Scheme	Never	M	8
General				
	Financial Advice	Annual		4
	Follow up of Agreed Management Actions 2022/23	Annual		
	Finalisation of 2022/23 Audits			
Total Planned Days for Housing & Communities				61

Environment & Public Protection		Last Review	Risk	2023/24 Days
Waste & Cleansing				
	Waste Collections	-		
	- Refuse	2022/23		
	- Agency / Overtime (Follow Up #2)	2018/19		
	Recycling	-		
	- Recycling & Engagement	Never		
	- Enforcement	Never	M	15
	Landfill Site	-		
	- Waste Disposal Site (Landfill Site)	2021/22		
	- Household Waste Recycling Centre	2022/23		
	- Agency / Overtime	2016/17		
	Cleansing	-		
	- Street Cleansing (Follow Up)	2019/20		
	Wastesavers (Partnership Arrangements)	2004/05		
Grounds				
	Grounds Maintenance (Follow Up)	2020/21		
Public Protection				
	Community & Environment	-		

	Environmental Health	-		
	- Food Safety	2018/19		
	- Environmental & Health & Safety	Never		
	- Port Health	2006/07		
	- Neighbourhood - CCTV	2020/21		
	- Neighbourhood - Community Safety Warden Service	2022/23		
	- Pollution	2009/10		
	- Discretionary Charging	2015/16		
	Consumer Protection	-		
	- Consumer Protection Team	2018/19		
	- RIPA	2017/18		
	- Industrial & Animal Health	2007/08		
	- Licensing (Premises)	2019/20		
	- Licensing (Taxi)	2021/22		
	- Scambusters Team / Project	2012/13		
	Scambusters Grant Claim 2022/23	Annual	M	8.5
	- Newport City Dogs Home (Follow Up)	2022/23		
Parks & Recreation				
	- Parks & Outdoor Recreation	2020/21		
	- Allotments	Never		
	- Fourteen Locks	Never		
Cemetery & Crematorium				
	- Cemeteries (Follow Up)	2018/19		
	- Gwent Crematorium	2022/23		
Climate Change				
	- Carbon Reduction Team	2021/22		
Biodiversity				
	Countryside & Conservation	2021/22		
	- Access to Countryside	2006/07		
	- Tree Surveys and Inspections (TPO)	Never		
	Biodiversity	Never		
General				
	Financial Advice	Annual		4
	Follow up of Agreed Management Actions 2022/23	Annual		2.5
	Finalisation of 2022/23 Audits			2
Total Planned Days for Environment & Public Protection				32

Infrastructure (Prev City Services)	Last Review	Risk	2023/24 Days
Highways			
	Highways (Follow Up)	2020/21	
	Overtime & On Call Facility	2017/18	
	Street Works	2021/22	

	Winter Maintenance	Never		
	Streetlighting	2020/21		
	Highways Network Assets Valuation (Follow Up)	2017/18		
	Telford Depot CCTV & Security (Follow-Up)	2018/19		
Transport				
	Parking Services 2022/23	2017/18	M	9
	Home to School Transport	2020/21		
	Social Services Taxi Framework	2013/14		
	Passenger Transport Unit - Taxi Contracts Follow Up #2	2021/22	H	10
	Public Transport Support	2006/07		
	Bus Services Support Grant	2017/18		
	Civil Parking Enforcement (Consultancy)	2018/19		
	Traffic, Transport & Road Safety	Never		
Flooding				
	Flooding	Never		
Fleet				
	Fleet / Vehicle Management	2012/13	M	14
	Vehicle Usage & Trackers (Follow Up)	2022/23		
Engineering Projects				
	SDR Contract	2021/22		
	Highways Improvement Contracts (Follow Up)	2015/16		
	Project Management	Never		
Active Travel				
	Active Travel	Never		
Sustainable Drainage Approval Body (SAB)				
	Drainage	2019/20		
Civil Contingencies				
	Civil Contingencies	2019/20		
General				
	Financial Advice	Annual		4
	Follow up of Agreed Management Actions 2022/23	Annual		1
	Finalisation of 2022/23 Audits			1
Total Planned Days for Infrastructure				39

TRANSFORMATION & CORPORATE

Finance		Last Review	Risk	2023/24 Days
Accountancy				
-	Main Accounting System	-		
	- Bank Reconciliation	2016/17		
	- Budgetary Control (Revenue)	2021/22		
	- Budgetary Control (Capital)	2018/19		

	- Coding Structure / Journals / Holding & Suspense	2019/20		
	- System Security & Integrity	2019/20		
	- Feeder Systems	2019/20		
-	Accountancy Teams	-		
	- Education & Schools	2020/21		
	- Place & Corporate	2021/22		
	- Social Services	2017/18		
	- Social Services Income Assessment & Charging	2017/18		
-	Taxation (VAT)	2018/19		
-	Treasury Management	-		
	- Income Management	2015/16		
	- Income Returns	2018/19		
	- Internet Banking	2018/19		
	- Paye.net	2019/20		
	- Treasury Management Strategy	2017/18	H	15
-	Fees & Charges	Never		
-	Capital Programme	2022/23		
-	New Financial System	2022/23	H	5
Income & Tax				
-	Council Tax	2020/21		
	- Online Council Tax & Self Service	New		
-	National Non Domestic Rates (NNDR)	2021/22		
-	Grant Schemes	-		
	- Retail, Leisure and Hospitality Business Rate Relief	Never		
	- City Centre Local Rate Relief	Never		
	- Discretionary Relief for Charities	Never		
	- Energy Bills Support Scheme (EBSS) Alternative Funding	New		
-	Debtors	2022/23		
Benefits				
-	Housing Benefits Follow Up	2022/23		
	- Winter Fuel Scheme	Never		
Procurement & Payments				
-	Strategic Procurement	-		
	- Gateway Process (incl. Excepted Contracts)	2021/22		
	- eTendering	2015/16	H	15
	- Procure to Pay (eProcurement)	2016/17		
-	Contract Management	2020/21		
-	Construction Industry Scheme	Never		
-	Creditor CAATs	2021/22		
-	Petty Cash / Imprest Accounts	2018/19		
-	Purchasing Cards			
	- System	2022/23		
	- Transactions (Follow-up)	2022/23	H	20
Cross-Cutting				

-	Authorisation Processes (Creditors / Treasury / Payroll)	New	H	15
Customer Services				
-	Contact Centre	2015/16		
-	Online Services / 'My Newport'	Never		
-	Information Station / Face to Face Service	2012/13		
General				
	Annual Governance Statement	Annual		8
	National Fraud Initiative (NFI)	Annual	H	20
	Financial Advice	Annual		6
	Follow up of Agreed Management Actions 2022/23	Annual		1.5
	Finalisation of 2022/23 Audits			2
Total Planned Days for Finance				108

People, Policy & Transformation		Last Review	Risk	2023/24 Days
HR & OD / Health & Safety				
-	Employment Services	-		
	- Agency Staff	2017/18		
	- Employment Status	2019/20		
	- Wellness at Work	New		
	- Sickness Absence Payments	2017/18	M	15
	- Maternity Absence Payments	2017/18		
	- Members' Allowances	2018/19		
	- HR/Payroll CAATs	2022/23		
	- Recruitment & Selection (incl. Safer Recruitment)	2022/23		
	- Termination of Employment	2016/17		
	- Redundancy	2012/13		
	- Travel & Subsistence	2019/20		
	- Salary Deductions	Never		
	- Additional Duties and Honoraria	Never		
	- Volunteers	Never		
-	Human Resources & Organisational Development	-		
	- Job Evaluation	2018/19		
	- Organisational Development	Never		
-	Health, Safety & Wellbeing	2022/23		
-	Whistleblowing	Never		
Policy & Partnership				
-	Corporate Policy	Never		
-	Partnerships	Never		
-	Welsh Language Standards	Never		
Transformation & Intelligence				
-	Street Naming & Numbering	2022/23		

- iTrent		2021/22		
- Corporate Geographical Information Systems (GIS)		Never		
- Database System Administration		Never	M	15
- Education Systems & Support		2006/07		
- Performance Management		-		
- Performance Indicators (Data Quality)		2021/22		
- Risk Management		2018/19	H	20
- Project Management		Never		
Digital Services & Complaints				
- Document Services		-		
- Electronic Document Management System (EDMS) & Modern Records		Never		
- Mail Services		2014/15		
- Printing / Reprographic Services		2013/14		
- Internal Mobile Telephony (Follow Up)		2022/23		
- Information Management		-		
- Data Protection (General Data Protection Regulation)		2019/20		
- Freedom of Information		2017/18		
- Payment Card Industry Data Security Standards (PCI DSS) (Follow Up)		2022/23		
- Information Governance Group		Annual	M	2
- Digital Projects		-		
- SRS Client Relationship Management		2018/19		
- Compliments & Complaints		2020/21		
PR & Communication				
- Marketing & Strategic Communications		2020/21		
- Graphic Design		Never		
- Social Media		Never		
Assets				
- Newport Norse - Joint Venture Contract		2021/22		
- Commercial & Industrial Properties		2020/21		
- Premises Management				
- Facilities Management		Never		
- Building Access & Fire Safety		Never		
General				
Corporate Governance (Follow Up) 2022/23*		2019/20	H	3
Financial Advice		Annual		8
Financial Regulations Corporate Training		Annual		7
Follow up of Agreed Management Actions 2022/23		Annual		2.5
Finalisation of 2022/23 Audits				1.5
*Cross cutting with Law & Standards				
Total Planned Days for People, Policy & Transformation				74

Law & Standards		Last Review	Risk	2023/24 Days
Legal				
	Land Charges	2022/23		
	Litigation	2021/22		
	Corporate Admin Team	2019/20		
Insurances				
	Insurances	2021/22		
Registration & Coroner Service				
	Registration Services	2022/23		
	Coroner Service	Never		
Democratic Services				
	Democratic Services & Governance	2018/19	H	15
	Mayoralty & Events	2004/05		
Electoral Registration				
	Electoral Registration	2012/13	M	15
General *				
	Financial Advice	Annual		4
	Follow up of Agreed Management Actions 2022/23	Annual		1
	Finalisation of 2022/23 Audits			1
	<i>*Also Corporate Governance Follow Up - Cross cutting with PP&T</i>			
Total Planned Days for Law & Standards				36

SOCIAL SERVICES

Children Services		Last Review	Risk	2023/24 Days
Children's Social Work Teams				
	Pathway Teams x3	2011/12		
	Child Protection & Family Support (x 4 Teams)	2019/20		
	Family Contact Centre	2018/19		
	Mentoring, Assessment & Consultancy	Never		
	Children & Families Imprest Account	2021/22		
	Asylum Seekers Imprest Account	Never	M	15
Youth Justice				
	Youth Justice Service	2021/22		
Safeguarding				
	Corporate Safeguarding	2017/18		
	Children's Safeguarding	-		
	- Education Safeguarding	2016/17		
	- Independent Reviewing Officers (IROs)	2021/22		
	- LAC Education Support	2014/15		
	Adult Safeguarding	-		
	- Appointeeships	2016/17		
	- Deprivation of Liberty Safeguards (DOLS)	Never		
	- Adults at Risk	2019/20		

	Children's Money (Follow-up)	2022/23	H	10
VAWDASV				
	Violence against Women, Domestic Abuse and Sexual Violence	Never		
Residential & Operations				
	Residential	-		
	- Forest Lodge	2021/22		
	- Oaklands	2021/22		
	- Rose Cottage	2022/23		
	- Rosedale	Never	M	15
	- Windmill Farm	New		
	Trips & Visits	Never		
	Control Risk Self-Assessments	Annual	M	3
Fostering & Adoption				
	Adoption Allowances (Follow Up #3)	2022/23	H	12
	Fostering	2022/23		
	SGO/Kinship Payments	2019/20		
	Adoption Fees	2018/19		
General				
	Financial Advice	Annual		8
	Follow up of Agreed Management Actions 2022/23	Annual		1
	Finalisation of 2022/23 Audits			3
Total Planned Days for Children Services				67

Adult Services		Last Review	Risk	2023/24 Days
Adult Social Work Teams				
	Occupational Therapy Service	2014/15	M	15
	Mental Health Service	2022/23		
Residential & Day Services				
	Residential Services	-		
	~ Blaen-y-Pant	2021/22		
	~ Parklands	2018/19		
	~ Spring Gardens	2017/18	M	15
	Day Services	Never		
	Cross-Cutting / Thematic Reviews	-		
	~ Residents' Monies	2014/15		
	~ Amenity Funds	2016/17		
	Short Break Service	New		
	Control Risk Self-Assessments	Annual	M	3
Social Services Workforce Development				
	Social Services Training Unit	2017/18		
First Contact				
	Hospital Team	2019/20		
	Intake Team	2017/18		

	Independent Living Advisors	Never		
Home First				
	Home First	Never		
Managed Care				
	NCN Teams (x 3 - East, North, West)	2018/19		
Commissioning				
	Commissioning & Contracts	-		
	- Commissioning, Contracts, Monitoring	2016/17		
	- Direct Payments	2017/18	H	15
	- Non-Residential Care Provider Payments	2021/22		
	- Residential Care Provider Payments	2018/19		
	- Supported Living Provider Payments	Never		
Frailty				
	Frailty Service (Reablement)	2019/20		
General				
	Financial Advice	Annual		5
	Follow up of Agreed Management Actions 2022/23	Annual		1
	Finalisation of 2022/23 Audits			
Total Planned Days for Adult Services				54

Prevention & Inclusion		Last Review	Risk	2023/24 Days
Families First				
	Families First	2018/19	H	15
	Children & Communities Grant (Flexible Funding)	2019/20		
	Flying Start	2019/20		
	Youth Service	2017/18		
	Duke of Edinburgh Award	2017/18		
	Play Development	2003/04		
	Family Information Service	2022/23		
	Childcare Offer (30 Hours Free Childcare)	2019/20		
Integrated Family Support Service				
	Housing Renewals & Adaptations	2017/18		
	Disabled Facilities Grants	2017/18		
	Children with Disabilities	2021/22		
	Early Intervention & Prevention	2019/20		
	Community Connectors and Carers	Never	M	15
Substance Misuse				
	Substance Misuse	Never		
General				
	Financial Advice	Annual		4
	Follow up of Agreed Management Actions 2022/23	Annual		1
	Finalisation of 2022/23 Audits			

	35
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Total Planned Days for Prevention & Inclusion

TOTAL AUDIT DAYS	707
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PEER ASSESSMENT (PSIAS EQA)	5
SPECIAL INVESTIGATIONS	150

TOTAL PLANNED AUDIT DAYS 2023/24	862
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INTERNAL AUDIT RESOURCES AVAILABLE (Available Days)*	862
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*Assumes:

- PA Vacancies (x2) will be recruited to wef 01.10.23.
- 6 mths of vacant PA posts - external audit resource of 80 days to be bought in.
- AM covering CIA post (50%) resulting in AM vacancy 50% during 2023/24.

APPENDIX 3

INTERNAL AUDIT STRATEGIC PLAN

Service Area	Section or Team	Job Title	Last Audit	2023/24 Days
Regeneration & Economic Development	City Regeneration	Heritage Lottery Funding	Never	
Regeneration & Economic Development	Work & Skills	Inspire to Work	Never	
Regeneration & Economic Development	Planning, Building Control & Development	Historic Building Conservation	Never	
Regeneration & Economic Development	Planning, Building Control & Development	Technical Support	Never	
Education Services	School Improvement	EAS (Partnership Arrangements)	Never	
Education Services	Inclusion / Additional Learning Needs (ALN)	Advisory Service	Never	
Education Services	Inclusion / Additional Learning Needs (ALN)	ALN Equipment & Resources	Never	
Education Services	Inclusion / Additional Learning Needs (ALN)	ALN Transport	Never	
Education Services	Resources & Planning	21st Century Schools Capital Programme	Never	
Education Services	Resources & Planning	School Reorganisation Programme	Never	
Education Services	Resources & Planning	Cashless Catering (Parent Pay)	Never	
Education Services	Resources & Planning	Breakfast Clubs	Never	15
Education Services	Resources & Planning	Healthy Schools	Never	
Education Services	Nursery Schools	Newport Nursery	Never	
Education Services	Primary Schools	Glan Llyn Primary	Never	10
Education Services	Primary Schools	Jubilee Park Primary	Never	10
Education Services	Secondary Schools	Ysgol Gyfun Gwent Is Coed	Never	12
Education Services	Special Schools	Ysgol Bryn Derw	Never	12
Education Services	Other - School Related	Post-16 Funding	Never	
Housing & Communities	Strategic Housing	Ellen Ridge Gypsy & Traveller Site	Never	
Housing & Communities	Community Regeneration	Community Buildings / Hubs	Never	
Housing & Communities	Community Regeneration	Business Support Team	Never	
Housing & Communities	Community Cohesion	Community Cohesion	Never	
Housing & Communities	Vulnerable Persons Resettlement Scheme	Vulnerable Persons Resettlement Scheme	Never	8
Environment & Public Protection	Waste & Cleansing	Recycling & Engagement	Never	
Environment & Public Protection	Waste & Cleansing	Enforcement	Never	15
Environment & Public Protection	Public Protection	Environmental & Health & Safety	Never	

Environment & Public Protection	Parks & Recreation	Allotments	Never	
Environment & Public Protection	Parks & Recreation	Fourteen Locks	Never	
Environment & Public Protection	Biodiversity	Tree Surveys and Inspections (TPO)	Never	
Environment & Public Protection	Biodiversity	Biodiversity	Never	
Infrastructure (City Services)	Highways	Winter Maintenance	Never	
Infrastructure (City Services)	Transport	Traffic, Transport & Road Safety	Never	
Infrastructure (City Services)	Flooding	Flooding	Never	
Infrastructure (City Services)	Engineering Projects	Project Management	Never	
Infrastructure (City Services)	Active Travel	Active Travel	Never	
Finance	Accountancy	Fees & Charges	Never	
Finance	Income & Tax	Retail, Leisure and Hospitality Business Rate Relief	Never	
Finance	Income & Tax	City Centre Local Rate Relief	Never	
Finance	Income & Tax	Discretionary Relief for Charities	Never	
Finance	Benefits	Winter Fuel Scheme	Never	
Finance	Procurement & Payments	Construction Industry Scheme	Never	
Finance	Customer Services	Online Services / 'My Newport'	Never	
People, Policy & Transformation	HR & OD / Health & Safety	Salary Deductions	Never	
People, Policy & Transformation	HR & OD / Health & Safety	Additional Duties and Honoraria	Never	
People, Policy & Transformation	HR & OD / Health & Safety	Volunteers	Never	
People, Policy & Transformation	HR & OD / Health & Safety	Organisational Development	Never	
People, Policy & Transformation	HR & OD / Health & Safety	Whistleblowing	Never	
People, Policy & Transformation	Policy & Partnership	Corporate Policy	Never	
People, Policy & Transformation	Policy & Partnership	Partnerships	Never	
People, Policy & Transformation	Policy & Partnership	Welsh Language Standards	Never	
People, Policy & Transformation	Transformation & Intelligence	Corporate Geographical Information Systems (GIS)	Never	
People, Policy & Transformation	Transformation & Intelligence	Database System Administration	Never	15
People, Policy & Transformation	Transformation & Intelligence	Project Management	Never	
People, Policy & Transformation	Digital Services & Complaints	EDMS & Modern Records	Never	
People, Policy & Transformation	PR & Communication	Graphic Design	Never	
People, Policy & Transformation	PR & Communication	Social Media	Never	
People, Policy & Transformation	Assets	Facilities Management	Never	
People, Policy & Transformation	Assets	Building Access & Fire Safety	Never	

Law & Standards	Registration & Coroner Service	Coroner Service	Never	
Children's Services	Children's Social Work Teams	Mentoring, Assessment & Consultancy	Never	
Children's Services	Children's Social Work Teams	Asylum Seekers Imprest Account	Never	15
Children's Services	Safeguarding	Deprivation of Liberty Safeguards (DOLS)	Never	
Children's Services	VAWDASV	VAWDASV	Never	
Children's Services	Residential & Operations	Rosedale	Never	15
Children's Services	Residential & Operations	Trips & Visits	Never	
Adult Services	Residential & Day Services	Day Services	Never	
Adult Services	First Contact	Independent Living Advisors	Never	
Adult Services	Home First	Home First	Never	
Adult Services	Commissioning	Supported Living Provider Payments	Never	
Prevention & Inclusion	Integrated Family Support Service	Community Connectors and Carers	Never	15
Prevention & Inclusion	Substance Misuse	Substance Misuse	Never	
Prevention & Inclusion	General	Follow up of Agreed Management Actions 2022/23	Never	1
Prevention & Inclusion	Families First	Play Development	2003/04	
Environment & Public Protection	Waste & Cleansing	Wastesavers (Partnership Arrangements)	2004/05	
Law & Standards	Democratic Services	Mayoralty & Events	2004/05	
Regeneration & Economic Development	City Regeneration	Newport Market	2005/06	
Education Services	Inclusion / Additional Learning Needs (ALN)	Education Other Than At Schools (EOTAS)	2005/06	
Education Services	Resources & Planning	Education Properties (Caretakers)	2006/07	
Environment & Public Protection	Public Protection	Port Health	2006/07	
Environment & Public Protection	Biodiversity	Access to Countryside	2006/07	
Infrastructure (City Services)	Transport	Public Transport Support	2006/07	
People, Policy & Transformation	Transformation & Intelligence	Education Systems & Support	2006/07	
Environment & Public Protection	Public Protection	Industrial & Animal Health	2007/08	
Regeneration & Economic Development	Destination	Medieval Ship	2008/09	
Housing & Communities	Community Regeneration	Directly Managed	2008/09	
Education Services	Inclusion / Additional Learning Needs (ALN)	ALN Recoupment	2009/10	
Housing & Communities	Strategic Housing	Private Sector Housing (Leasing)	2009/10	12
Housing & Communities	Community Regeneration	Communities First	2009/10	
Housing & Communities	Community Regeneration	Financial & Admin Systems	2009/10	
Environment & Public Protection	Public Protection	Pollution	2009/10	

Education Services	Resources & Planning	School Admissions & Appeals 2022/23	2010/11	3.5
Education Services	Resources & Planning	Free School Meals	2010/11	
Education Services	Other - School Related	John Frost Sports Hall	2011/12	
Housing & Communities	Community Regeneration	Community Development Improvement Plan	2011/12	
Children's Services	Children's Social Work Teams	Pathway Teams x3	2011/12	
Regeneration & Economic Development	Destination	Transporter Bridge	2012/13	
Regeneration & Economic Development	Destination	Tredegar House (National Trust Agreement)	2012/13	
Education Services	Resources & Planning	Catering Contract Management (Chartwells)	2012/13	10
Education Services	Grants	Appetite for Life Grant	2012/13	
Housing & Communities	Environmental Health Housing	Private Sector Housing (HMO)	2012/13	15
Environment & Public Protection	Public Protection	Scambusters Team / Project	2012/13	
Infrastructure (City Services)	Fleet	Fleet / Vehicle Management	2012/13	14
Finance	Customer Services	Information Station / Face to Face Service	2012/13	
People, Policy & Transformation	HR & OD / Health & Safety	Redundancy	2012/13	
Law & Standards	Electoral Registration	Electoral Registration	2012/13	15
Education Services	Primary Schools	Marshfield Primary	2013/14	10
Education Services	Primary Schools	St Joseph's R.C Primary	2013/14	
Education Services	Primary Schools	St Mary's R.C Primary	2013/14	10
Housing & Communities	Strategic Housing	Empty Homes (Houses to Homes Grant)	2013/14	
Housing & Communities	HSG / Supporting People	Supporting People	2013/14	
Infrastructure (City Services)	Transport	Social Services Taxi Framework	2013/14	
People, Policy & Transformation	Digital Services & Complaints	Printing / Reprographic Services	2013/14	
Education Services	Primary Schools	Langstone Primary	2014/15	
Education Services	Primary Schools	St Gabriel's R.C Primary	2014/15	
Education Services	Primary Schools	St Michael's R.C Primary	2014/15	
Education Services	Primary Schools	Tredegar Park Primary	2014/15	
Education Services	Secondary Schools	Bassaleg	2014/15	
Housing & Communities	Community Regeneration	Library Service	2014/15	
People, Policy & Transformation	Digital Services & Complaints	Mail Services	2014/15	
Children's Services	Safeguarding	LAC Education Support	2014/15	
Adult Services	Adult Social Work Teams	Occupational Therapy Service	2014/15	15
Adult Services	Residential & Day Services	Residents' Monies	2014/15	

Regeneration & Economic Development	Work & Skills	Skills & Work Contract	2015/16	15
Education Services	Inclusion / Additional Learning Needs (ALN)	ALN Assessments	2015/16	
Education Services	Primary Schools	Caerleon Lodge Hill Primary	2015/16	
Education Services	Primary Schools	Eveswell Primary	2015/16	
Education Services	Primary Schools	St Woolos Primary	2015/16	
Education Services	Primary Schools	Ysgol Gymraeg Bro Teyrnnon	2015/16	
Housing & Communities	Community Regeneration	Voluntary Managed	2015/16	
Housing & Communities	Community Regeneration	Adult Education	2015/16	
Environment & Public Protection	Public Protection	Discretionary Charging	2015/16	
Infrastructure (City Services)	Engineering Projects	Highways Improvement Contracts (Follow Up)	2015/16	
Finance	Accountancy	Income Management	2015/16	
Finance	Procurement & Payments	eTendering	2015/16	15
Finance	Customer Services	Contact Centre	2015/16	
Education Services	Primary Schools	Crindau Primary	2016/17	
Education Services	Primary Schools	Glan Usk Primary	2016/17	
Education Services	Primary Schools	Lliswerry Primary	2016/17	
Education Services	Primary Schools	Malpas Court Primary	2016/17	
Education Services	Primary Schools	Monnow Primary	2016/17	
Education Services	Primary Schools	Mount Pleasant Primary	2016/17	
Education Services	Primary Schools	Ysgol Gymraeg Casnewydd	2016/17	
Education Services	Secondary Schools	Newport High School	2016/17	
Environment & Public Protection	Waste & Cleansing	Agency / Overtime	2016/17	
Finance	Accountancy	Bank Reconciliation	2016/17	
Finance	Procurement & Payments	Procure to Pay (eProcurement)	2016/17	
People, Policy & Transformation	HR & OD / Health & Safety	Termination of Employment	2016/17	
Children's Services	Safeguarding	Education Safeguarding	2016/17	
Children's Services	Safeguarding	Appointeeships	2016/17	
Adult Services	Residential & Day Services	Amenity Funds	2016/17	
Adult Services	Commissioning	Commissioning, Contracts, Monitoring	2016/17	
Regeneration & Economic Development	City Regeneration	Regeneration Initiatives	2017/18	15
Regeneration & Economic Development	City Regeneration	Targeted Regeneration Investment Funding (Prev VVP)	2017/18	
Regeneration & Economic Development	Economic Development	Business Support Loans & Grants	2017/18	

Regeneration & Economic Development	Planning, Building Control & Development	Planning Obligations (S106)	2017/18	13
Education Services	Engagement & Learning	Education Welfare Service	2017/18	
Education Services	Resources & Planning	Outside Preferred Catering Contractor (Schools)	2017/18	
Education Services	Gwent Education Minority-Ethnic Service (GEMS)	Gwent Education Minority-Ethnic Service (GEMS)	2017/18	
Education Services	Primary Schools	Alway Primary	2017/18	
Education Services	Primary Schools	Clytha Primary	2017/18	
Education Services	Primary Schools	Llanmartin Primary	2017/18	
Education Services	Primary Schools	Somerton Primary	2017/18	
Education Services	Primary Schools	St David's R.C Primary	2017/18	
Education Services	Primary Schools	St Julian's Primary	2017/18	
Education Services	Secondary Schools	Lliswerry High School	2017/18	
Education Services	Secondary Schools	St Julian's School	2017/18	
Education Services	Special Schools	Maes Ebbw	2017/18	
Housing & Communities	Housing Needs & Homelessness	Homelessness Assessment & Prevention	2017/18	
Environment & Public Protection	Public Protection	RIPA	2017/18	
Infrastructure (City Services)	Highways	Overtime & On Call Facility	2017/18	
Infrastructure (City Services)	Highways	Highways Network Assets Valuation (Follow Up)	2017/18	
Infrastructure (City Services)	Transport	Parking Services 2022/23	2017/18	9
Infrastructure (City Services)	Transport	Bus Services Support Grant	2017/18	
Finance	Accountancy	Social Services	2017/18	
Finance	Accountancy	Social Services Income Assessment & Charging	2017/18	
Finance	Accountancy	Treasury Management Strategy	2017/18	15
People, Policy & Transformation	HR & OD / Health & Safety	Agency Staff	2017/18	
People, Policy & Transformation	HR & OD / Health & Safety	Sickness Absence Payments	2017/18	15
People, Policy & Transformation	HR & OD / Health & Safety	Maternity Absence Payments	2017/18	
People, Policy & Transformation	Digital Services & Complaints	Freedom of Information	2017/18	
Children's Services	Safeguarding	Corporate Safeguarding	2017/18	
Adult Services	Residential & Day Services	Spring Gardens	2017/18	15
Adult Services	Social Services Workforce Development	Social Services Training Unit	2017/18	
Adult Services	First Contact	Intake Team	2017/18	
Adult Services	Commissioning	Direct Payments	2017/18	15
Prevention & Inclusion	Families First	Youth Service	2017/18	

Prevention & Inclusion	Families First	Duke of Edinburgh Award	2017/18	
Prevention & Inclusion	Integrated Family Support Service	Housing Renewals & Adaptations	2017/18	
Prevention & Inclusion	Integrated Family Support Service	Disabled Facilities Grants	2017/18	
Regeneration & Economic Development	Work & Skills	Inspire to Achieve	2018/19	
Education Services	Primary Schools	Charles Williams CiW Primary	2018/19	
Education Services	Primary Schools	Maindee Primary	2018/19	
Education Services	Primary Schools	Milton Primary	2018/19	
Education Services	Primary Schools	Pillgwenlly Primary	2018/19	10
Education Services	Primary Schools	St Andrews Primary	2018/19	
Education Services	Primary Schools	Ysgol Gymraeg Ifor Hael	2018/19	
Education Services	Secondary Schools	St Joseph's RC High School	2018/19	
Education Services	Secondary Schools	Llanwern High School	2018/19	
Housing & Communities	Housing Needs & Homelessness	Housing Needs	2018/19	15
Housing & Communities	Housing Needs & Homelessness	Home Options (Common Register)	2018/19	
Environment & Public Protection	Waste & Cleansing	Agency / Overtime (Follow Up #2)	2018/19	
Environment & Public Protection	Public Protection	Food Safety	2018/19	
Environment & Public Protection	Public Protection	Consumer Protection Team	2018/19	
Environment & Public Protection	Cemetery & Crematorium	Cemeteries (Follow Up)	2018/19	
Infrastructure (City Services)	Highways	Telford Depot CCTV & Security (Follow-Up)	2018/19	
Infrastructure (City Services)	Transport	Civil Parking Enforcement (Consultancy)	2018/19	
Finance	Accountancy	Budgetary Control (Capital)	2018/19	
Finance	Accountancy	Taxation (VAT)	2018/19	
Finance	Accountancy	Income Returns	2018/19	
Finance	Accountancy	Internet Banking	2018/19	
Finance	Procurement & Payments	Petty Cash / Imprest Accounts	2018/19	
People, Policy & Transformation	HR & OD / Health & Safety	Members' Allowances	2018/19	
People, Policy & Transformation	HR & OD / Health & Safety	Job Evaluation	2018/19	
People, Policy & Transformation	Transformation & Intelligence	Risk Management	2018/19	20
People, Policy & Transformation	Digital Services & Complaints	SRS Client Relationship Management	2018/19	
Law & Standards	Democratic Services	Democratic Services & Governance	2018/19	15
Children's Services	Children's Social Work Teams	Family Contact Centre	2018/19	
Children's Services	Fostering & Adoption	Adoption Fees	2018/19	

Adult Services	Residential & Day Services	Parklands	2018/19	
Adult Services	Managed Care	NCN Teams (x 3 East, North, West)	2018/19	
Adult Services	Commissioning	Residential Care Provider Payments	2018/19	
Prevention & Inclusion	Families First	Families First	2018/19	15
Regeneration & Economic Development	Destination	Museum & Art Gallery	2019/20	
Regeneration & Economic Development	Destination	Destination Development (inc City Festivals & Events)	2019/20	
Regeneration & Economic Development	Newport Live	Newport Live (Partnership Arrangements)	2019/20	
Education Services	Inclusion / Additional Learning Needs (ALN)	Bridge Achievement Centre (PRU) (Follow Up)	2019/20	
Education Services	Primary Schools	Maesglas Primary	2019/20	
Education Services	Primary Schools	Millbrook Primary	2019/20	
Education Services	Primary Schools	St Patrick's R.C Primary	2019/20	
Education Services	Secondary Schools	The John Frost School	2019/20	
Education Services	Other - School Related	Deficit Budget Project	2019/20	
Environment & Public Protection	Waste & Cleansing	Street Cleansing (Follow Up)	2019/20	
Environment & Public Protection	Public Protection	Licensing (Premises)	2019/20	
Infrastructure (City Services)	Sustainable Drainage Approval Body (SAB)	Drainage	2019/20	
Infrastructure (City Services)	Civil Contingencies	Civil Contingencies	2019/20	
Finance	Accountancy	Coding Structure / Journals / Holding & Suspense	2019/20	
Finance	Accountancy	System Security & Integrity	2019/20	
Finance	Accountancy	Feeder Systems	2019/20	
Finance	Accountancy	Paye.net	2019/20	
People, Policy & Transformation	HR & OD / Health & Safety	Employment Status	2019/20	
People, Policy & Transformation	HR & OD / Health & Safety	Travel & Subsistence	2019/20	
People, Policy & Transformation	Digital Services & Complaints	Data Protection (General Data Protection Regulation)	2019/20	
People, Policy & Transformation	General	Corporate Governance (Follow Up) 2022/23*	2019/20	3
Law & Standards	Legal	Corporate Admin Team	2019/20	
Children's Services	Children's Social Work Teams	Child Protection & Family Support (x 4 Teams)	2019/20	
Children's Services	Safeguarding	Adults at Risk	2019/20	
Children's Services	Fostering & Adoption	SGO/Kinship Payments	2019/20	
Adult Services	First Contact	Hospital Team	2019/20	
Adult Services	Frailty	Frailty Service (Reablement)	2019/20	
Prevention & Inclusion	Families First	Children & Communities Grant (Flexible Funding)	2019/20	

Prevention & Inclusion	Families First	Flying Start	2019/20	
Prevention & Inclusion	Families First	Childcare Offer (30 Hours Free Childcare)	2019/20	
Prevention & Inclusion	Integrated Family Support Service	Early Intervention & Prevention	2019/20	
Regeneration & Economic Development	Planning, Building Control & Development	Planning Applications	2020/21	
Regeneration & Economic Development	Planning, Building Control & Development	Planning Enforcement	2020/21	
Education Services	Engagement & Learning	Early Years	2020/21	
Education Services	Inclusion / Additional Learning Needs (ALN)	ALN Out of County Placements	2020/21	
Education Services	Primary Schools	Glasllwch Primary	2020/21	
Education Services	Primary Schools	High Cross Primary	2020/21	
Education Services	Primary Schools	Pentrepoeth Primary	2020/21	
Education Services	Primary Schools	Ringland Primary	2020/21	
Education Services	Secondary Schools	Caerleon Comprehensive	2020/21	
Environment & Public Protection	Grounds	Grounds Maintenance (Follow Up)	2020/21	
Environment & Public Protection	Public Protection	Neighbourhood CCTV	2020/21	
Environment & Public Protection	Parks & Recreation	Parks & Outdoor Recreation	2020/21	
Infrastructure (City Services)	Highways	Highways (Follow Up)	2020/21	
Infrastructure (City Services)	Highways	Streetlighting	2020/21	
Infrastructure (City Services)	Transport	Home to School Transport	2020/21	
Finance	Accountancy	Education & Schools	2020/21	
Finance	Income & Tax	Council Tax	2020/21	
Finance	Procurement & Payments	Contract Management	2020/21	
People, Policy & Transformation	Digital Services & Complaints	Compliments & Complaints	2020/21	
People, Policy & Transformation	PR & Communication	Marketing & Strategic Communications	2020/21	
People, Policy & Transformation	Assets	Commercial & Industrial Properties	2020/21	
Regeneration & Economic Development	Planning, Building Control & Development	Building Control	2021/22	
Education Services	Inclusion / Additional Learning Needs (ALN)	Pupil Exclusions	2021/22	
Housing & Communities	HSG / Supporting People	Homelessness Prevention Grant	2021/22	
Environment & Public Protection	Waste & Cleansing	Waste Disposal Site (Landfill Site)	2021/22	
Environment & Public Protection	Public Protection	Licensing (Taxi)	2021/22	
Environment & Public Protection	Biodiversity	Countryside & Conservation	2021/22	
Infrastructure (City Services)	Highways	Street Works	2021/22	
Infrastructure (City Services)	Engineering Projects	SDR Contract	2021/22	

Finance	Accountancy	Budgetary Control (Revenue)	2021/22	
Finance	Accountancy	Place & Corporate	2021/22	
Finance	Income & Tax	National Non Domestic Rates (NNDR)	2021/22	
Finance	Procurement & Payments	Gateway Process (incl. Excepted Contracts)	2021/22	
Finance	Procurement & Payments	Creditor CAATs	2021/22	
People, Policy & Transformation	Transformation & Intelligence	iTrent	2021/22	
People, Policy & Transformation	Transformation & Intelligence	Performance Indicators (Data Quality)	2021/22	
People, Policy & Transformation	Assets	Newport Norse Joint Venture Contract	2021/22	
Law & Standards	Legal	Litigation	2021/22	
Law & Standards	Insurances	Insurances	2021/22	
Children's Services	Children's Social Work Teams	Children & Families Imprest Account	2021/22	
Children's Services	Youth Justice	Youth Justice Service	2021/22	
Children's Services	Safeguarding	Independent Reviewing Officers (IROs)	2021/22	
Children's Services	Residential & Operations	Forest Lodge	2021/22	
Children's Services	Residential & Operations	Oaklands	2021/22	
Adult Services	Residential & Day Services	Blaen-y-Pant	2021/22	
Adult Services	Commissioning	Non-Residential Care Provider Payments	2021/22	
Regeneration & Economic Development	General	Financial Advice	2022/23	3
Regeneration & Economic Development	General	Follow up of Agreed Management Actions 2022/23	2022/23	1
Education Services	Inclusion / Additional Learning Needs (ALN)	Educational Psychology	2022/23	
Education Services	Resources & Planning	Trips & Visits (Evolve System) (Follow Up #2)	2022/23	
Education Services	Gwent Music Service	Gwent Music Support Service (Follow Up)	2022/23	
Education Services	Primary Schools	Gaer Primary	2022/23	
Education Services	Primary Schools	Malpas CiW Primary	2022/23	
Education Services	Primary Schools	Malpas Park Primary	2022/23	
Education Services	Primary Schools	Rogerstone Primary	2022/23	
Education Services	Grants	Education School Improvement Grant (SIG) 2022/23	2022/23	5
Education Services	Grants	Pupil Development Grant (PDG) 2022/23	2022/23	5
Education Services	Other - School Related	Control Risk Self-Assessments	2022/23	12
Education Services	Other - School Related	Schools Financial Regulations Training / Cluster Meetings	2022/23	3
Education Services	General	Financial Advice	2022/23	15.5
Education Services	General	Follow up of Agreed Management Actions 2022/23	2022/23	3

Housing & Communities	HSG / Supporting People	Housing Support Grant 2022/23	2022/23	7
Housing & Communities	General	Financial Advice	2022/23	4
Housing & Communities	General	Follow up of Agreed Management Actions 2022/23	2022/23	
Environment & Public Protection	Waste & Cleansing	Waste Collections	2022/23	
Environment & Public Protection	Waste & Cleansing	Household Waste Recycling Centre	2022/23	
Environment & Public Protection	Public Protection	Neighbourhood Community Safety Warden Service	2022/23	
Environment & Public Protection	Public Protection	Scambusters Grant Claim 2022/23	2022/23	8.5
Environment & Public Protection	Public Protection	Newport City Dogs Home (Follow Up)	2022/23	
Environment & Public Protection	Cemetery & Crematorium	Gwent Crematorium	2022/23	
Environment & Public Protection	Climate Change	Carbon Reduction Team	2022/23	
Environment & Public Protection	General	Financial Advice	2022/23	4
Environment & Public Protection	General	Follow up of Agreed Management Actions 2022/23	2022/23	2.5
Infrastructure (City Services)	Transport	Passenger Transport Unit Taxi Contracts Follow Up #2	2022/23	10
Infrastructure (City Services)	Fleet	Vehicle Usage & Trackers (Follow Up)	2022/23	
Infrastructure (City Services)	General	Financial Advice	2022/23	4
Infrastructure (City Services)	General	Follow up of Agreed Management Actions 2022/23	2022/23	1
Finance	Accountancy	Capital Programme	2022/23	
Finance	Accountancy	New Financial System	2022/23	5
Finance	Income & Tax	Debtors	2022/23	
Finance	Benefits	Housing Benefits Follow Up	2022/23	
Finance	Procurement & Payments	Purchasing Cards - System	2022/23	
Finance	Procurement & Payments	Purchasing Cards - Transactions (Follow-up)	2022/23	20
Finance	General	Annual Governance Statement	2022/23	8
Finance	General	National Fraud Initiative (NFI)	2022/23	20
Finance	General	Financial Advice	2022/23	6
Finance	General	Follow up of Agreed Management Actions 2022/23	2022/23	1.5
People, Policy & Transformation	HR & OD / Health & Safety	HR/Payroll CAATs	2022/23	
People, Policy & Transformation	HR & OD / Health & Safety	Recruitment & Selection (incl. Safer Recruitment)	2022/23	
People, Policy & Transformation	HR & OD / Health & Safety	Health, Safety & Wellbeing	2022/23	
People, Policy & Transformation	Transformation & Intelligence	Street Naming & Numbering	2022/23	
People, Policy & Transformation	Digital Services & Complaints	Internal Mobile Telephony (Follow Up)	2022/23	
People, Policy & Transformation	Digital Services & Complaints	PCI DSS (Follow Up)	2022/23	

People, Policy & Transformation	General	Financial Advice	2022/23	8
People, Policy & Transformation	General	Financial Regulations Corporate Training	2022/23	7
People, Policy & Transformation	General	Follow up of Agreed Management Actions 2022/23	2022/23	2.5
Law & Standards	Legal	Land Charges	2022/23	
Law & Standards	Registration & Coroner Service	Registration Services	2022/23	
Law & Standards	General	Financial Advice	2022/23	4
Law & Standards	General	Follow up of Agreed Management Actions 2022/23	2022/23	1
Children's Services	Safeguarding	Children's Money (Follow-up)	2022/23	10
Children's Services	Residential & Operations	Rose Cottage	2022/23	
Children's Services	Residential & Operations	Control Risk Self-Assessments	2022/23	3
Children's Services	Fostering & Adoption	Adoption Allowances (Follow Up #3)	2022/23	12
Children's Services	Fostering & Adoption	Fostering	2022/23	
Children's Services	General	Financial Advice	2022/23	8
Children's Services	General	Follow up of Agreed Management Actions 2022/23	2022/23	1
Adult Services	Adult Social Work Teams	Mental Health Service	2022/23	
Adult Services	Residential & Day Services	Control Risk Self-Assessments	2022/23	3
Adult Services	General	Financial Advice	2022/23	5
Adult Services	General	Follow up of Agreed Management Actions 2022/23	2022/23	1
Prevention & Inclusion	Families First	Family Information Service	2022/23	
Prevention & Inclusion	Integrated Family Support Service	Children with Disabilities	2022/23	
Prevention & Inclusion	General	Financial Advice	2022/23	4
Education Services	Primary Schools	Ysgol Gymraeg Nant Gwenlli	New	
Finance	Income & Tax	Online Council Tax & Self Service	New	
Finance	Income & Tax	Energy Bills Support Scheme (EBSS) Alternative Funding	New	
Finance	Cross Cutting	Authorisation Processes (Creditors / Treasury / Payroll)	New	15
People, Policy & Transformation	HR & OD / Health & Safety	Wellness at Work	New	
People, Policy & Transformation	Digital Services & Complaints	Information Governance Group	New	2
Children's Services	Residential & Operations	Windmill Farm	New	
Adult Services	Residential & Day Services	Short Break Service	New	
Regeneration & Economic Development	General	Finalisation of 2022/23 Audits	Annual	
Education Services	General	Finalisation of 2022/23 Audits	Annual	8.5
Housing & Communities	General	Finalisation of 2022/23 Audits	Annual	

Environment & Public Protection	General	Finalisation of 2022/23 Audits	Annual	2
Infrastructure (City Services)	General	Finalisation of 2022/23 Audits	Annual	1
Finance	General	Finalisation of 2022/23 Audits	Annual	2
People, Policy & Transformation	General	Finalisation of 2022/23 Audits	Annual	1.5
Law & Standards	General	Finalisation of 2022/23 Audits	Annual	1
Children's Services	General	Finalisation of 2022/23 Audits	Annual	3
Adult Services	General	Finalisation of 2022/23 Audits	Annual	
Prevention & Inclusion	General	Finalisation of 2022/23 Audits	Annual	



Report

Governance and Audit Committee

Part 1

Date: 25 May 2023

Subject Draft Work Programme

Purpose To report the details of this Committee’s work programme.

Author Democratic & Services Officer

Ward General

Summary The purpose of a forward work programme is to help ensure Councillors achieve organisation and focus in the undertaking of enquiries through the Governance & Audit Committee function. This report presents the current work programme to the Committee for information and details the items due to be considered at the Committee’s next two meetings.

Proposal **The Committee is asked to endorse the proposed schedule for future meetings, confirm the list of people it would like to invite for each item, and indicate whether any additional information or research is required.**

Action by Governance and Audit Committee

Timetable Immediate

Background

The purpose of a forward work programme is to help ensure Councillors achieve organisation and focus in the undertaking of enquiries through the Governance & Audit Committee function. Attached at Appendix 1 is the forward work programme for this Committee. Below are the items scheduled to be presented at the Committee’s next two meetings. Committee Members are asked to endorse this schedule, confirm the list of people they would like to invite for each item, and indicate whether any additional information or research is required.

27 July 2023
Corporate Risk Register Quarter 4
Statement of Accounts 2023/24
Call in of Director of Social Services and Head of Service re the internal Audit of Adoption Allowances resulting in a Second Unsatisfactory Opinion- Update from January 2023.
Annual Governance Statement Draft
Audit of Financial Statements Report 2022/23

Audit Wales Annual Report on Grants Works 2020-21 and 2021-22 Draft
SO24/Waiving of Contract Sos: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract Sos (Quarter 1, April to June)
Audit Wales and Regulatory Bodies 6-month update
Referrals to Audit Committee

28 September 2023
Corporate Risk Register Quarter 1
Progress Against Internal Audit Plan 2023/24 Quarter 1
Annual Corporate Self-Assessment
Annual Report on Compliments, Comments and Complaints Management 2023
Call In the Strategic Director of Environment and Sustainability and Head of Service re the PTU Taxi Contracts- 6 month Update
Audit of Financial Statements Report 2021/22
Audit Enquiries Letter 2021/22
Referrals to Governance and Audit Committee

Comments of Chief Financial Officer

There will be financial consequences for some of the reviews undertaken. These will be commented upon as the reports are presented. The preparing and monitoring of the work programme is done by existing staff for which budget provision is available.

Comments of Monitoring Officer

I have no comments, as there are no legal implications.

Comments of Head of People and Business Change

There are no staffing implications within this report. Any staffing implications of the reviews in the work programme will need to be addressed in individual reports.

Background Papers

None.

Appendix 1

(Audit Committee to meet every other month unless circumstances dictate otherwise)

27 July 2023
Corporate Risk Register Quarter 4
Call in of Director of Social Services and Head of Service re the internal Audit of Adoption Allowances resulting in a Second Unsatisfactory Opinion- Update from January 2023.
Statement of Accounts 2023/24
Annual Governance Statement Draft

Audit of Financial Statements Report 2022/23
Audit Wales Annual Report on Grants Works 2020-21 and 2021-22 Draft
SO24/Waiving of Contract Sos: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract Sos (Quarter 1, April to June)
Audit Wales and Regulatory Bodies 6-month update
Referrals to Audit Committee

28 September 2023
Corporate Risk Register Quarter 1
Progress Against Internal Audit Plan 2023/24 Quarter 1
Annual Corporate Self-Assessment
Annual Report on Compliments, Comments and Complaints Management 2023
Call In the Strategic Director of Environment and Sustainability and Head of Service re the PTU Taxi Contracts- 6 month Update
Audit of Financial Statements Report 2021/22
Audit Enquiries Letter 2021/22
Referrals to Governance and Audit Committee

26 October 2023
Internal Audit Plan – Progress (Quarter 2)
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 2, July to September)
Risk Management Policy
Treasury Management Report
Lessons Learned 2022/23

25 January 2024
Internal Audit Plan – Progress (Quarter 3)
Corporate Risk Register Quarter 2
Financial Memorandum on the 2021-22 Financial Audit
Audit Wales and Regulatory Bodies 6-month update
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Referrals to Audit Committee

28 March 2024

Corporate Risk Register (Quarter 3)
WAO Annual Report on Grants Works 2022-23
Annual Governance Statement (draft statement)
Member Development Self Evaluation Exercise
Referrals to Audit Committee

30 May 2024
Appointment of Chairperson
Treasury Management Year End Report 2023/2024
Corporate Risk Register Quarter 4
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 4, January to March)
Audit Wales Annual Report on Grants Works 2023-2024 Draft
Internal Audit Annual Report 2022-2023
Internal Audit Annual Plan 2024-2025
Audit Wales Annual Audit Summary 2023
Audit Wales Annual Audit Plan 2024