

# Report

## Audit Committee

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### Part 1

**Date:** 23 January 2018

**Item No:** 10

**Subject** **Internal Audit – Progress Against Unfavourable Audit Opinions Previously Issued [to September 2017]**

**Purpose** To inform Members of the Audit Committee of the up to date position of audit reviews previously given an unsatisfactory / unsound audit opinion.

**Author** Chief Internal Auditor

**Ward** General

**Summary** The attached report identifies current progress of systems or establishments which have previously been given an unsatisfactory or unsound audit opinion. Although there will always be concerns over reviews given an unsatisfactory or unsound audit opinion, managers are allowed sufficient time to address the issues identified and improve the financial internal controls within their areas of responsibility.

In July 2015 it was reported that 5 audit reviews had been given an Unsatisfactory audit opinion during **2014/15**:

In **2015/16**, 34 audit opinions had been issued; 8 were *Unsatisfactory*, no *Unsound* opinions were issued. This was reported to Audit Committee in June 2016. The Head of Streetscene & City Services was called into Audit Committee in September 2016 to respond to two consecutive Unsatisfactory Audit Opinions relating to CCTV / Security (Telford Depot).

During **2016/17** 35 audit opinions had been issued; 5 were *Unsatisfactory*, 1 was *Unsound*. The new Head of Streetscene & City Services was called into Audit Committee in June 2017 to respond to concerns raised by Members of the Audit Committee regarding further unfavourable audit opinions in that service area. This was reported, in part, to Audit Committee in March 2017.

As at 30th September 2017, during **2017/18** 22 audit opinions had been issued; 2 were *Unsatisfactory*, none were *Unsound*.

**Proposal**

- 1) The report be noted and endorsed by the Council's Audit Committee
- 2) To consider calling in any specific heads of service if members of the Audit Committee feel they require further assurance that improvements will be made to the control environment following unfavourable audit opinions.

**Action by** Audit Committee

**Timetable** Immediate

## Background

1. This report aims to inform Members of the Audit Committee of the current status of audit reviews previously given an *unsatisfactory* or *unsound* audit opinion and to bring to their attention any areas which have **not** demonstrated improvements within the financial control environment. The previous report was presented to Audit Committee in March 2017. The new Head of Streetscene & City Services was called into Audit Committee in June 2017 to respond to concerns raised by Members of the Audit Committee regarding further unfavourable audit opinions in that service area. He gave a commitment that improvements would be made within 12 months.
2. Since bringing this report to the Audit Committee there have been 13 reviews which had been given two consecutive *unsatisfactory* or *unsound* audit opinions and these have previously been brought to the attention of the Audit Committee by the Chief Internal Auditor; in each case the relevant Head of Service and Cabinet Member attended a meeting of the Audit Committee. The latest referrals are shown at Appendix A.
3. It is pleasing to report that improvements were made in all 13 areas. These reviews will now be picked up as part of the audit planning cyclical review and will be audited as part of that process.
4. Follow up audit work for the 8 2015/16 Unsatisfactory reviews has now been undertaken with the updated opinions shown in the table in paragraph 9. 5 opinions have subsequently improved. Significant improvements have been made in 2 areas followed up with 'Good' opinions issued.
5. Although follow up audit work had been planned for the 5 unsatisfactory opinions issued in 2016/17, none have actually been followed up to date. These are shown in the table in paragraph 10. 2 areas are unlikely to be followed up, 4 will be followed up in Q4 of 2017/18 or during 2018/19.
6. Where the team come across obstacles in undertaking follow up work, for example managers stating that the issues will be addressed by the implementation of a new system, the Chief Internal Auditor will take a view as to the usefulness of a follow up review at the time and report back to the Audit Committee.
7. Definitions of the audit opinions are shown at Appendix B.

## History of unfavourable audit opinions

8. In **2015/16**, 34 audit opinions had been issued; 8 of which were deemed to be *Unsatisfactory*; a summary of the significant issues has previously been reported:

	Revised Opinion / Date of follow up	Current Status
Partnerships & Planning - Re: Grants to Voluntary Sector Organisations	2016/17	Reasonable June 2017
Looked After Children 16+	2016/17	Reasonable July 2017
Kimberley Nursery	2016/17	Reasonable May 2017
Ysgol Gymraeg Casnewydd	2016/17	Good (Draft - March 2017)
Malpas Court Primary - Special	2015/16	Good
Joint Venture – Newport Norse	2017/18	Not yet followed up. Delay in finalising original report
Highways Improvements Contracts – Project Management	2017/18	Not yet followed up
CCTV / Security Telford Depot – Follow Up	2014/15 – Unsatisfactory 2015/16 - Unsatisfactory	Unsatisfactory Follow up planned for 2017/18 due to absence of Head of Service and Operational Manager

9. In **2016/17**, 35 audit opinions had been issued; 5 were deemed to be *Unsatisfactory*, 1 was *Unsound*; a summary of the significant issues follows the table:

	Revised Opinion / Date of follow up	Current Status
Payment Card Industry Data Security Standards	Unsatisfactory *1	Final (July 2016)
Highways Network Assets Valuation	Unsatisfactory *2	Final (February 2017)
Overtime & On Call Payments - Highways	Unsatisfactory To be followed up in Q4 of 2017/18	Draft (December 2016)
Maes Ebbw School	Unsatisfactory To be followed up in in Q4 of 2017/18	Final (July 2017)
Charles Williams Church in Wales School	Unsatisfactory To be followed up in 2018/19	Final (July 2017)
Agency / Overtime - Refuse (incl. Follow-up)	Unsound To be followed up Q3 of 2017/18	Final (November 2016)

### a) Payment Card Industry Data Security Standards

- Previously reported

\*1 Still a number of actions outstanding which require work by the Shared Resource Service (SRS). These are behind due to the current workload of the SRS which includes a large number of projects. The matter is on the agenda and being monitored by the Council's Information Governance Group.

### b) Highways Network Assets Valuation

- Previously reported

\*2 The risk profile has reduced substantially as a result of CIPFA deciding not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. and the fact that the valuation figures are no longer a mandatory requirement for the whole of government accounts.

### c) Overtime & On Call Payments – Highways

- Previously reported

### d) Maes Ebbw School

Ref.	SIGNIFICANT
1.09	For the period examined, where cash income was received, this was not verified by 2 members of staff. No cash handover procedures were in place.
1.10	At the time of the review, the Headteacher was unaware of a safe held by the Site Manager. Income was being stored within the safe unbanked for long periods.
1.11	For the period reviewed, the School staff were not charging VAT correctly on invoices raised for the hire of the Hydrotherapy Pool. Invoices were not being raised promptly and there was no monitoring record maintained of invoices.
1.12	A debt was written off without Governing Body approval or the documented authority of the Headteacher.
2.09	For the sample examined, purchase orders were not always raised in advance of the invoice being received.
2.10	For the sample examined, evidence of obtaining value for money / quotations was not always available for the purchases made between £3,000 and £25,000 and when applicable Excepted Contracts forms were not completed. There was no evidence to support that value for money had been achieved for purchases of less than £3,000 in value.
2.11	For the sample examined, Excepted Contracts forms had been used to authorise purchases when not appropriate to do so.
2.12	At the time of the review, the School had an 'approved' list of suppliers approved by the Governing Body with little or no evidence of market testing to support the supplier's inclusion.
2.13	Electrical works had been undertaken at the School without notification to Newport Norse (Corporate Landlord). A copy of the NIC-EIC Minor Electrical Installation Works Certificate was not located at the School.

Ref.	SIGNIFICANT
3.05	At the time of the audit, the review of driving at work documentation was not sufficient, had not been conducted on an annual basis for all staff and those who drove fleet vehicles / transported young people did not have their licence reviewed every 6 months.
3.06	For the period reviewed, an honorarium had been incorrectly paid to an employee and another employee had been set up incorrectly on iTrent and therefore was being overpaid.
3.07	For the sample of new starters examined, the Safer Recruitment in Schools policy / guidance was not always followed.
3.08	At the time of the review, an honorarium was being paid to an employee through regular additional hours.
3.09	For the sample examined, management actions taken in relation to sickness absences were not always in strict accordance with the Management of Attendance Policy. Reasons for why the actions taken were appropriate were not always recorded / adequate and referrals to Occupational Health were not always made promptly.
3.10	For the period reviewed, School purchases were made by an employee and reimbursed using general expenses claim forms, by-passing official procurement procedures at the School.
4.08	For the period examined, income summaries were not sufficient and where donations had been received or class funds banked these were not always verified by 2 members of staff.
5.04	For the period reviewed, the School's disposal register was not adequate and there was no authorisation for disposals made. Not all disposals were recorded.
5.05	At the time of the review, make / model / serial numbers were not recorded for all items on the School's inventory. The number of iPads listed on the main inventory did not match to the number recorded on the iPad inventory, leading to 9 iPads being unaccounted for.
5.06	At the time of the review, the records in support of iPads provided to staff were poor and did not actually confirm the iPad provided to each staff member.
5.07	At the time of the review, the School did not have key holder lists for external and internal doors of the School or for those with access to the alarm system.
5.08	For the period reviewed, the records in support of the School's minibus were not fully completed and the original copies of the daily defects sheets were not always held. The School was claiming kilometres from the Bus Services Support Grant where they were not eligible to do so.
6.04	At the time of the review, overspends were likely across a number of the School's sub-codes and the School is facing a deficit budget for 2017/18. Members of the School's Governing Body had commented on not receiving adequate financial information.
7.05	At the time of the review, the Register of Business Interest forms for Governors could not be located. Not all staff had completed a signed declaration.

**e) Charles Williams Church in Wales Primary School**

Ref.	CRITICAL
2.03	<p>Contract Standing Orders for Schools were not followed in respect of the £75,000 purchase with Computer World Wales.</p> <ul style="list-style-type: none"> <li>• A full open tender exercise was not completed</li> <li>• No written contract / agreement with the supplier was available</li> <li>• The school could not provide documentary evidence to determine if items were purchased or leased from the supplier.</li> </ul>
3.02	Contracts of employment had not been issued to all new staff at the School since amalgamation.

Ref.	SIGNIFICANT
1.03	The contract in respect of a £75,000 loan agreement with the Charles Williams Charity was not signed by the Chair of Governors. There was no minuted resolution of the Governing Body agreeing to enter into a loan agreement for this amount.
1.04	For the period reviewed, banking was not being made promptly following income being received by the School.
1.05	For the period examined, where high amounts of cash income were received, this was not verified by 2 members of staff. No cash handover procedures were in place.
1.06	At the time of the review, the School safe was unsuitable to store large amounts of cash. School staff were unaware of the insurance limit and income was being regularly stored within the School safe in excess of this limit (£250 cash).
1.07	At the time of the review, the key for the safe within the infant building could not be located. The Headteacher did not have independent access to the School safe.
1.08	At the time of the review, there was no evidence to confirm that the School's Lettings Policy and Fees & Charges had been reviewed and agreed by the Governing Body on an annual basis. Charges were not made for all hires of the School premises to recover costs. It was not documented when a hire was agreed to be free of charge, the reasons why and that this had been approved by the Governing Body.
1.09	At the time of the review, the lettings agreement with the after-school club had not been reviewed annually.
2.04	For the period reviewed, the security of the School procurement cards had been compromised. The cards had been used by persons other than the authorised cardholder. Transactions had not always been reviewed by the supervisor and receipts were not held on file in support of all purchases made.
2.05	For the period examined, purchase orders were not being raised for all purchases made and some invoices were paid via the non-order facility. Where purchase orders were raised they were not always raised in advance of the invoice being received.
2.06	For the sample examined, evidence of obtaining value for money / quotations was not always available for the purchases made between £3,000 and £25,000 and when applicable Excepted Contracts forms were not completed. There was no evidence to support that value for money had been achieved for purchases of less than £3,000 in value.
2.07	Invoices had been authorised by the Headteacher following input onto SIMS / payments being made.

Ref.	SIGNIFICANT
2.08	For the sample examined, delivery notes were not always available to support the receipt of goods / services by the School; where delivery notes were available they were not signed and dated to confirm the goods / services had been satisfactorily received.
2.09	Petty cash reimbursement claims were processed at the same time from different periods, suggesting that the School staff were using other income received as petty cash and not banking intact. Fuel was purchased using petty cash. Disbursement logs were not completed and claims were authorised retrospectively by the Headteacher.
3.03	At the time of the review, 2 volunteers had been working at the School for more than 3 years without DBS checks completed or holding a valid Risk Assessment. For the sample of new starters examined, the Safer Recruitment in Schools policy / guidance was not always followed.
3.04	For the sample examined, overtime claims were not fully completed, always signed by the employee, authorised by the Headteacher / Deputy Headteacher and there was not always confirmation that an independent person had verified the input onto the iTrent HR & Payroll system. 2 minor underpayments were identified to have been made to teaching staff.
3.05	For the sample of Self-Certification / Return to Work discussion forms examined, the management action taken was not always in strict accordance with the Management of Attendance (MoA) Policy and adequate reasons were not provided as to why the action taken was appropriate. Where MoA Interviews / Hearings had been selected as the appropriate action, these had not always taken place.
3.06	At the time of the review, the review of driving at work documentation was not sufficient, had not been conducted on an annual basis for all staff and those who drove fleet vehicles / transported young people did not have their licence reviewed every 6 months.
4.03	A management committee had not been established to oversee the School Private Fund. The Fund Constitution document had not been agreed and appeared to have been written prior to the audit visit.
4.04	A number of inappropriate payments totalling £1,494.20 had been made using the School Private Fund.
4.05	For the period examined, £2,089 of expenditure without supporting receipts was identified within the School Private Fund.
4.06	Two subsistence payments had been made to staff using the School Private Fund.
4.07	For the period examined, payments (£608.53) were being made out of School Private Fund cash received, therefore the School were not banking intact.
4.08	Where high amounts of cash income were collected, there was no evidence to support that this was counted and verified by 2 members of staff.
4.09	For the period reviewed, appropriate summaries / documentation was not available to support income collected into the School Private Fund.
4.10	During the period reviewed, banking was not conducted promptly and high levels of cash was transported / banked by a single person.
4.11	Income was not always being stored within the School Safe. Banking was made at the end of the School Summer Holidays by a member of teaching staff and no supporting income records were available to support the amount collected.
4.12	For the 2015/16 and 2016/17 academic years, monthly School Private Fund reconciliations had not been independently reviewed. Monthly reconciliations were not always completed promptly at the end of each month.

Ref.	SIGNIFICANT
5.04	At the time of the review, the School's inventory record was not adequate and did not detail all required information. A number of high value items were recorded as missing / not seen.
5.05	At the time of the review, the School did not have a policy for the disposal of assets. We were informed a number of disposals had been made since amalgamation but none of these were documented.
5.06	At the time of the review, portable electrical equipment had not been security marked as belonging to the School / NCC.
5.07	At the time of the review, IT equipment loaned to members of staff was not documented.
5.08	For the period reviewed, the minibus monitoring records did not meet legal requirements and there were discrepancies between the mileages claimed.
6.04	For the period reviewed, the Headteacher's virement and spend limits were not reviewed on an annual basis. Virements had not always been authorised by the Headteacher / Chair of Governors.
7.05	For the period reviewed, minutes of the Governing Bodies sub-committees were not submitted to the EAS Governor Support team for inclusion on the Governing Body minute file. Minutes of the Finance Sub-Committee were not dated when they were signed by the Chair and meetings did not take place at least termly.
7.06	At the time of the review, a register of declared business interest's form was not held for all Governors and staff at the School.
7.07	At the time of the review, there was no evidence to support that statutory policies had been reviewed / approved by the Governing Body.

**f) Agency / Overtime – Refuse (incl. Follow-up)**

- Previously reported

10. In **2017/18**, up to 30 September 2017, 22 audit opinions had been issued; 2 were deemed to be *Unsatisfactory*, none were *Unsound*; a summary of the significant issues follows the table:

	Revised Opinion / Date of follow up	Current Status
Llanwern High School	Unsatisfactory	Draft (August 2017)
Cemeteries	Unsatisfactory	Draft (August 2017)



a) Llanwern High School

Ref.	CRITICAL
1.04	For the period reviewed, the treatment of VAT on invoices raised by the School was sometimes incorrect and resulted in vatable services not being charged appropriately.

Ref.	SIGNIFICANT
1.05	For the period examined, Income Returns had not been independently certified by the Headteacher / designated senior officer. Paying-in counterfoils had not been reviewed to confirm that bankings had taken place.
1.06	For the period examined, where high amounts of income had been received there was no evidence to confirm that this had been reconciled by 2 members of staff.
1.07	At the time of the review, invoices were being raised by the School in excess of £200 without going through the Corporate Debtors system.
1.08	At the time of the review, the School had a high amount of outstanding debt from previous financial years. There was no evidence that this had been regularly chased up or referred to legal for further action.
1.09	At the time of the review, the School did not have a formal licence agreement established for the hire of the School building to the University of South Wales and the Education Achievement Service.
2.06	For the sample reviewed, not all purchase orders had been signed by an authorised signatory of the School. The Headteacher confirmed that the signature on 4/5 purchase orders was not his own.
2.07	At the time of the review, the School did not have a copy of the contract / Service Level Agreement with Computer World Wales for the provision of IT services at the School.
2.08	For the sample examined, evidence of obtaining value for money / quotations was not always available for the purchases made. A formal tender was not completed for one purchase examined and when applicable Excepted Contracts forms were not completed.
2.09	At the time of the review, the School did not have a list of all contracts entered into by the School.
2.10	For the sample examined, invoices had not always been authorised for payment by the Headteacher / designated senior officer.
2.11	For the sample examined delivery notes were not always available to support the receipt of goods / services by the School.
2.12	For the sample of Procurement Card transactions it was identified that: <ul style="list-style-type: none"> <li>• The Transaction Log was not completed in respect of purchasing card transactions;</li> <li>• VAT receipts were not always held and a number of transactions had failed to be reviewed by the Cardholder; and</li> <li>• A number of purchases were not made through the creditors system or the Corporate Capita travel system.</li> </ul>
2.13	At the time of the review, the Schools Petty Cash Account was un-reconcilable. Inappropriate payments had been made and the required paperwork had not been completed.
3.05	Overtime claim forms were not fully completed, signed by the employee, or certified for payment by the Headteacher / designated senior member of staff. There was no evidence to confirm that the input of additional hours onto the HR & Payroll system had been independently reviewed prior to payment.
3.07	For the Travel & Subsistence forms examined it was identified that: <ul style="list-style-type: none"> <li>• Travel &amp; Subsistence forms were not fully completed;</li> </ul>

Ref.	SIGNIFICANT
	<ul style="list-style-type: none"> <li>Supporting VAT receipts preceding the date of the first journey were not always attached;</li> <li>The shortest route was not always claimed by employees;</li> <li>Home to Work mileage was incorrectly claimed; and</li> <li>Hire cars were not used for journeys (return) over 70 miles.</li> </ul>
3.08	For the period examined, there was no evidence to confirm that driving licences had been checked for staff on an annual basis. There was also no record to confirm that all minibus drivers had had their licence checked every 6 months.
4.03	For the period reviewed, a daily record of SPF income received was not being completed. Receipts were not issued or an appropriate summary of income received was not being maintained.
4.04	At the time of the review, monthly reconciliations of the School Private Fund account were not completed and reviewed by the Headteacher / an independent officer.
4.05	At the time of the review, the School Private Fund account for 2015/16 had not been independently audited.
5.05	At the time of the review, the School did not have an inventory of assets.
5.06	At the time of the review, not all portable electrical equipment had been security marked as belonging to the School / NCC.
5.07	At the time of the review, IT equipment loaned to members of staff was not documented.
5.08	Observations from the Auditors during the school visit identified several information security risks relating to personal and sensitive information.
5.09	For the period reviewed, the records in support of the School's minibus were not fully completed and the statutory daily defects check sheets were not always being completed.
5.10	At the time of the review, the School did not have a contents insurance policy or an insurance provision within the budget plan.

## b) Cemeteries

Ref.	CRITICAL
1.05	At the time of the review, appropriate risk assessments were not in place. Members of Cemeteries staff have not undertaken appropriate Health & Safety Management training.

Ref.	SIGNIFICANT
1.06	For the sample of Notice of Internment forms examined, these were not completed in full or date stamped when received. The date and method of payment was not recorded onto the forms.
1.07	For the sample of grave re-openings examined, the declaration for the reopening of graves on the Notice of Internment was not always completed in full and did not state the applicant's relationship to the grave owner.
1.08	For the sample examined and where appropriate, statutory paperwork i.e. a Certificate for Burial or Cremation, Coroners Order for Burial or a Certificate of Cremation was not held for each burial.

Ref.	SIGNIFICANT
1.09	At the time of the review, staff had not attended information security training. Employees responsible for cash handling / banking had not attended Financial Regulations training for a number of years and there was no record of staff attending refresher training for the use of plant machinery.
1.10	For the period reviewed, the costs of Public Health Funerals were not being registered in probate / intestate as Bona Vacantia.
2.03	At the time of the review, the weekly record of income received did not detail all income due to the service. The record was not fully reconciled to Paye.net and payments received.
2.04	For the period reviewed, daily cash ups / reconciliations were not being completed.
2.05	For the sample of Paye.net receipts examined, these covered multiple invoices. The details of which invoices the receipts related to were not recorded leading to a difficulty in reconciling the payments received.
2.06	For the period reviewed, invoices raised by the service were not being raised through the Civica Debtors system.
2.07	For the period reviewed, there were periods of no cash banking. Only limited search fee income had been received / banked.
2.08	At the time of the review, not all charges currently levied matched to those approved by Cabinet. Some fees were incorrectly calculated resulting in lost income and unfair charging.
3.05	At the time of the review, the Public Health Funeral Contract had not been retendered for a number of years.
3.06	For the sample of purchases examined, the gateway process had not always been followed correctly and the approval to proceed / obtain quotes was granted following quotes being already requested / received. Evidence of market testing for purchases under £4k was not demonstrated.
4.02	For the period reviewed, it was confirmed that monitoring records were not completed for vehicles used by the Cemeteries Service and the statutory daily vehicle check sheets were not being completed.
4.03	At the time of the review, there was no evidence to confirm that the required annual Gas Safety / PAT inspections had taken place at the Cemeteries Lodges rented by employees. Newport Norse could not provide an inventory of fixtures and fittings.
4.04	During the previous 12 months, a number of security incidents have occurred at St Woolos Cemetery. These have not been fully reported in line with the Information Security Incident Reporting Policy.
4.05	At the time of the review, neither the Green Services Manager nor the Superintendent Registrar had access to the Vehicle Tracker system. Vehicles were not being taken to Telford St. Depot each evening despite a management instruction to do this. On occasions, vehicles were taken home overnight and appeared to be used for private purposes. Not all vehicles had a tracker.
4.06	At the time of the review, an inventory of assets was not held for the Cemeteries Lodge. The 'Tool Inventory' did not contain all assets, the required details or approximate replacement values.
5.03	At the time of the review, hours of work for staff based at the Cemeteries was not documented.
5.04	For the sample examined, overtime hours worked could not be confirmed and the timesheets did not state the reason for the additional hours claimed. 2 members of staff received an additional payment of at least ½ hour each day.
5.05	For the sample examined, Self-Certification & Return to Work Discussion Forms were not fully completed and the management action taken was not in accordance with the Management of Attendance Policy. There was 1 unreported sickness absence identified.

Ref.	SIGNIFICANT
5.06	At the time of the review, 6 monthly inspections of employees driving documentation were not being completed. It was identified that employee's private vehicles were being used for work related purposes without the appropriate documentation being submitted.
5.07	At the time of the review, Flexi Tracker spreadsheets were not correctly completed, high levels of flexi was being accrued and they were not saved to the shared computer drive.

11. Internal Audit will continue to cover the service areas and specific sections identified in the 2017/18 operational plan and will endeavour to revisit any areas which have been given an unsatisfactory or unsound audit opinion within a twelve month timescale.
12. Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and have agreed to do this by incorporating their comments within the audit reports and taking on board the agreed management actions.
13. Internal Audit are continuing to raise the awareness of financial regulations and contract standing orders within the Council by delivering seminars to all service areas; during recent years this training has been further targeted towards areas that have had unsatisfactory audit opinions.
14. Where managers are compliant with Council policies and procedures and sound financial management can be demonstrated then audit reviews should result in an improved audit opinion being given. If, as a result, improvements are made to internal controls then greater assurance can be given by Internal Audit to the Audit Committee, the Leader and the Chief Executive on the overall effectiveness of all the Council's internal controls.

### **Financial Summary, Risks and Links to Council Policies and Priorities**

15. No direct financial implications for this report.
16. One of the key objectives of an audit report is to outline compliance against expected controls within a system, an establishment or the duration of a project or contract. The report should give management assurance that there are adequate controls in place to enable the system to run effectively, efficiently and economically. If adequate controls are not in place then there is greater exposure to the risk of fraud, theft, corruption or even waste.
17. Newport Internal Audit reports outline strengths of the system under review along with any weaknesses in internal control. The reports are discussed with operational management where the issues identified are agreed. The operational manager will then add his / her action plans to the report which will address the agreed issue and mitigate any further risk.
18. Reduced audit staff reduces the audit coverage across service areas which provides reduced assurance to management.
19. Risk table – N/A for this report
20. Giving management assurance on 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, looking after the public pound makes our City a better place to live for all our citizens

- To make our city a better place to live for all our citizens
- To be good at what we do
- To work hard to provide what our citizens tell us they need

### **Options Considered / Available. Preferred choice and reasons**

21. Not applicable

### **Comments of Chief Financial Officer**

22. This report is compiled on behalf of the Head of Finance. Areas of unsatisfactory / unsound audit opinions are a concern and in particular for 2017/18, those affecting significant amount of money in overtime/on-call arrangements. But having highlighted issues, it is expected that local managers implement appropriate improvements as soon as they can. Further on-going unsatisfactory / unsound opinions are then of even more concern and the Committee will need to come to a view, having made enquiries of the Chief Internal Auditor, what, if any further action may be required. For example, they may request that the relevant Head of Service and service manager come to a future meeting to explain the lack of progress and what changes they have planned and timescales.

### **Comments of Monitoring Officer / Head of Law & Regulation**

23. There are no legal implications. The report has been prepared in accordance with the Council's internal audit procedures and the Performance Management framework.

### **Comments of Head of People and Business Change**

24. There are no direct Human Resources issues arising from this report. Internal Audit provide a critical function within the Council to provide assurance on financial systems and monitoring and to highlight weaknesses so that issues can be identified and addressed.

### **Local Issues and Consultation**

25. Not applicable

**INTERNAL AUDIT SERVICES**


**Progress of reports following call-in to Audit Committee as a result of 2 consecutive unfavourable audit opinions:**

<b>Review</b>	<b>Service Area</b>	<b>Status since Head of Service and Cabinet Member attended Audit Committee</b>
Ysgol Gymraeg Casnewydd  (Nov 2011)	Education Services	Reasonable (March 2013) Unsatisfactory (April 2016) Good (March 2017) - Draft
Recruitment & Selection  (July 2012)	People & Transformation	Good (Feb 2014)

## INTERNAL AUDIT SERVICES – OPINIONS

- The Internal Audit team has revised the audit opinions in line with the level of assurance obtained from undertaking the audit work, that appropriate controls, governance arrangements and risk management are in place.
- The Internal Audit team introduced a new report format during 2015/16 where the Audit Opinion has been colour coded based on a traffic light system and the report only contains key issues which need to be addressed.

## AUDIT OPINIONS 2017/18:

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