

Report

Governance and Audit Committee

Part 1

Date: 28th July 2022

Subject Revised - Internal Audit Annual Plan 2022/23

Purpose To inform Members of the Council's Governance and Audit Committee of the Internal Audit Section's Operational Audit Plan for 2022/23.

For the Governance and Audit Committee to approve the 2022/23 Revised Operational Internal Audit Plan.

Author 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 2022/23 based on an assessment of risk and available audit resources for the 12 months of the financial year. The plan is based on delivering 1073 audit days.

The draft Internal Audit Plan previously presented to Governance and Audit Committee, which was over-planned / under-resourced, has been reviewed, allocated over the Council's new service area structure, audit work further prioritised and resources recalculated to include the support from an external resource. The proposed planned audit days to be delivered in 2022/23 now reconciles with the available audit resources.

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

Proposal That the Revised Internal Audit Annual Plan 2022/23 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 2022/23. 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 background of the Internal Audit planning process was covered in the report presented to Governance & Audit Committee on 26th May 2022, Draft Internal Audit Annual Plan 2022/23 so that will not be repeated within this report.
3. The draft Internal Audit plan presented previously included 1147 audit days to undertake the work during the year, with 998 audit days available to deliver it; the plan was therefore overplanned / under resourced. The Chief Internal Auditor agreed to review the plan, reprioritise the audits to be undertaken and reconcile it to the audit resources available.
4. The Revised Internal Audit Plan for 2022/23 now includes **1073 days** to undertake the audit work which now balances to the audit resources available of 1073 days.

What's changed ?

5. The Plan shows Internal Audit coverage across the new service area structure; the draft plan showed the former service area structure. All service areas have some coverage. [see Appendix 1]
6. The audit resources available have increased to take account of the 75 days of potential additional support from an external provider(s).
7. The number of opinion related audit jobs has reduced from 67 to 62, including grant claims with the number of non-opinion audit jobs reduced from 29 to 28. This will enable the Chief Internal Auditor to provide an overall opinion on the level of assurance at the year end.
8. The audits to be undertaken during 2022/23 are shown at Appendix 2.
9. 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.

Independence

10. 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 provides assurance or otherwise to management.
11. 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 Opinion

12. 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 current suite of opinions ranges 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 exists; fundamental improvements required with immediate effect.

Resources

13. Consideration has been given to the appropriate level of resources for Internal Audit at Newport City Council. The current establishment of 7.5 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. Currently the team is operating with 5.5 FTEs as a result of current vacancies; additional support from an external provider has been brought in to help deliver the plan. Any unplanned absences such as long term sickness, secondments or prolonged special investigations could significantly affect the audit plan as cover is limited.
14. 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.

External Auditor Relations

15. 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.

16. The Chief Internal Auditor will continue to ensure compliance with the Public Sector Internal Audit Standards.

Service Areas

17. 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.

18. 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.

19. Service Managers have the responsibility of agreeing what action they will take in order to address any weaknesses identified by Internal Audit and then implementing that action.

Financial Summary

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

Risks

21. 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	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?
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

22. The work of Internal Audit supports all of the Council’s priorities and plans.

Options Available

23. (1) That the Revised Annual Internal Audit Plan for 2022/23 be approved by the Governance and Audit Committee.

Preferred Option and Why

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

Comments of Chief Financial Officer

25. I can confirm that I have been consulted on the Revised Annual Internal Audit Plan 2022/23 and have no additional comments.

Comments of Monitoring Officer

26. There are no specific legal issues arising from the report, which sets out the revised operational Internal Audit plan for 2022/23 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 revised 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

27. Due to the Covid-19 outbreak the Council has had to reassess its strategic priorities and resources. As the Council is moving towards recovery, new / emerging opportunities and risks will need to be considered as part of the audit plan to ensure the Council has adequate internal controls, governance and risk management processes in place. The involvement of the Council's Corporate Management Team to support the Internal Audit team to effectively undertake their role is vital to provide necessary assurance, advice and guidance to meet our statutory duties and protect public finances. This plan will also ensure that the Council can meet its requirements under the Wellbeing of Future Generations Act and ensure sustainable development can meet short and long term objectives of the Council.

Comments of Cabinet Member

28. Not applicable.

Local issues

29. No local issues.

Scrutiny Committees

30. Not appropriate

Equalities Impact Assessment

31. 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.

32. 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

33. Not appropriate.

Wellbeing of Future Generations (Wales) Act 2015

34. 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.

Consultation

35. Not applicable

Background Papers

36. Strategic Internal Audit Plan, Draft Internal Audit Annual Plan 2022/23, 2021/22 Annual Internal Audit report, Corporate Plan, Corporate Risk Register, Service Plans.

Dated:

APPENDIX 1

Internal Audit Services		
Operational Audit Plan for 2022/23		
Service Area	Number of days	Percentage of plan
Transformation & Corporate		
Finance	134	12%
People, Policy & Transformation	116	11%
Law & Standards	49	4%
Social Services		
Children Services	83	8%
Adult Services	35	3%
Prevention & Inclusion	19	2%
Chief Executive		
Regeneration & Economic Development	60	6%
Education Services	216	20%
Environment & Sustainability		
City Services	52	5%
Environment & Public Protection	103	10%
Housing & Communities	48	4%
External – SWCAG Training Programme		
External – SWCAG Training Programme	2	0%
Peer Assessments (PSIAS)	10	1%
Special Investigations	150	14%
Total Days for Operational Plan	1073	100.00%

Total Resources Available within the IA team = 1073 days

Overplanned / under resourced by 0 days

APPENDIX 2

REVISED INTERNAL AUDIT PLAN – 2022/23

The plan will be reviewed throughout 2022/23.

INTERNAL AUDIT SERVICES – REVISED AUDIT PLAN 2022/23

TRANSFORMATION & CORPORATE

Finance		Last Review	Risk	2022/23	Opinion
Accountancy					
	Main Accounting System				
	- New Financial System	New	H	10	
	Capital Programme	2018/19	H	20	Y
Income & Tax					
	Sundry Debtors	2019/20	M	20	Y
Procurement & Payments					
	Purchasing Cards (System)	2017/18	H	15	Y
	Purchasing Cards (Transactions)	2021/22	M	20	Y
Benefits					
	Housing Benefits - B&B / Temporary Accommodation Claims (Follow-Up)	2021/22	H	12	Y
General					
	Annual Governance Statement	Annual		10	
	National Fraud Initiative (NFI)	Annual		12	
	Financial Advice	Annual		10	
	Follow up of Agreed Management Actions 2021/22	Annual		1.5	
	Finalisation of 2021/22 Audits	Annual		3	
Total Planned Days for Finance				134	5

People, Policy & Transformation		Last Review	Risk	2022/23	Opinion
Digital Services & Complaints					
	Document Services				
	- Internal Mobile Telephony (Follow Up)	2021/22	H	8	Y
	- Payment Card Industry Data Security Standards (PCI DSS) (Follow Up)	2016/17	H	8	Y
HR & OD / Health & Safety					
	Employment Services				
	- HR/Payroll CAATs	2018/19	M	15	Y

	- Recruitment & Selection	2020/21	H	20	Y
	Health & Safety	2013/14	H	18	Y
Intelligence Hub			M	18	Y
Policy & Partnership					
	Corporate Governance (Follow Up)	2019/20	M	8	Y
General					
	Financial Advice	Annual		8	
	Financial Regulation Training	Annual		7	
	Follow up of Agreed Management Actions 2021/22	Annual		1.5	
	Finalisation of 2021/22 Audits	Annual		4	
Total Planned Days for People, Policy & Transformation				116	7

Law & Standards		Last Review	Risk	2022/23	Opinion
Electoral Registration					
	Electoral Registration	2012/13	M	15	Y
Legal					
	Land Charges	2014/15	M	12	Y
Registration					
	Registration Services & Coroners	2016/17	M	15	Y
General					
	Financial Advice	Annual		4	
	Follow up of Agreed Management Actions 2021/22	Annual		1.5	
	Finalisation of 2021/22 Audits	Annual		1	
Total Planned Days for Law & Standards				49	3

SOCIAL SERVICES

Children Services		Last Review	Risk	2022/23	Opinion
Children's Social Work Teams					
	Children With Disabilities	2021/22	M	10	Y
Fostering & Adoption					
	Adoption Allowances (Follow Up #2)	2021/22	H	10	Y
	Fostering	2014/15	M	16.5	Y
Residential & Operations					
	- Rose Cottage	Never	M	15	Y
	Control Risk Self-Assessments	Annual	M	3	Y

Safeguarding					
	Children's Money	Never	H	15	Y
General					
	Financial Advice	Annual		8	
	Follow up of Agreed Management Actions 2021/22	Annual		1.5	
	Finalisation of 2021/22 Audits	Annual		4	
Total Planned Days for Children Services				83	6

Adult Services		Last Review	Risk	2022/23	Opinion
Adult Social Work Teams					
	Occupational Therapy Service	2014/15	M	18	Y
	Mental Health Service (2021/22)	Never	H	2	Y
Residential & Day Services					
	Control Risk Self-Assessments	Annual		3	Y
General					
	Financial Advice	Annual		6	
	Follow up of Agreed Management Actions 2021/22	Annual		1.5	
	Finalisation of 2021/22 Audits	Annual		4	
Total Planned Days for Adult Services				35	3

Prevention & Inclusion		Last Review	Risk	2022/23	Opinion
Early Years, Family Information Service & Play					
	Family Information Service	Never	M	15	Y
General					
	Financial Advice	Annual		4	
Total Planned Days for Prevention & Inclusion				19	1

CHIEF EXECUTIVE

Regeneration & Economic Development		Last Review	Risk	2022/23	Opinion
Work & Skills					
	- Skills & Work Contract	2015/16	M	15	Y
City Regeneration					
	Regeneration Initiatives	-	M	15	Y
Planning, Building Control & Development					
	Planning Policy	-			

	- Planning Obligations (S106)	2017/18	M	15	Y
Destination					
	- Transporter Bridge	2012/13	M	10	Y
General					
	Financial Advice	Annual		3	
	Follow up of Agreed Management Actions 2021/22	Annual		1.5	
Total Planned Days for Regeneration & Economic Development				60	4

Education		Last Review	Risk	2022/23	Opinion
Resources & Planning					
	School Admissions & Appeals	2010/11	M	15	Y
	Trips & Visits (Evolve System) (Follow Up #2)	2019/20	H	8	Y
Gwent Music Service					
	Music Support Service (Follow Up)	2019/20	H	8	Y
Inclusion / Additional Learning Needs (ALN)					
	Educational Psychology	2011/12	M	18	Y
	Additional Learning Needs (ALN)	-	H	15	Y
	Education Other Than At Schools (EOTAS)	2005/06	M	15	Y
Grants					
	Education School Improvement Grant (SIG) 2021/22	Annual	M	5	Y
	Pupil Development Grant (PDG) 2021/22	Annual	M	5	Y
Primary Schools					
	Gaer Primary	2012/13	M	10	Y
	Malpas Park Primary	2012/13	M	10	Y
	Rogerstone Primary 2021/22	2012/13	M	7	Y
	Marshfield Primary	2013/14	M	10	Y
	St Mary's RC Primary	2013/14	M	10	Y
	Malpas Church in Wales Primary	2013/14	M	10	Y
	Jubilee Park Primary	Never	M	10	Y
Secondary Schools					
	Ysgol Gyfun Gwent Is Coed	Never	M	12	Y
Special Schools					
	Ysgol Bryn Derw	Never	M	12	Y
Other - School Related					
	CRSA's / Healthcheck - Secondary / Primary / Nursery	Annual	M	12	Y
	Schools Financial Regulations Training / Cluster Meetings	Annual		4	

General					
	Financial Advice	Annual		18	
	Follow up of Agreed Management Actions 2021/22	Annual		1.5	
Total Planned Days for Education				216	18

ENVIRONMENT & SUSTAINABILITY

City Services		Last Review	Risk	2022/23	Opinion
Fleet					
	Fleet / Vehicle Management	2012/13	M	15	Y
	Vehicle Usage & Trackers (Follow Up)	2018/19	H	8	Y
Transport					
	Passenger Transport Unit - Taxi Contracts Follow Up 2021/22	2018/19	H	8	Y
	Traffic, Transport & Road Safety (Car Parks)	Never	H	15	Y
General					
	Financial Advice	Annual		4	
	Follow up of Agreed Management Actions 2021/22	Annual		1.5	
Total Planned Days for City Services				52	4

Environment & Public Protection		Last Review	Risk	2022/23	Opinion
Public Protection					
	Environmental Health				
	- Private Sector Housing (HMO)	2012/13	M	15	Y
	- Neighbourhood - Community Safety Warden Service	2015/16	M	15	Y
	Consumer Protection				
	- Scambusters Grant Claim 2021/22	Annual	M	8.5	Y
	- Newport City Dogs Home (Follow Up)	2019/20	H	8	Y
Climate Change					
	- Carbon Reduction Team 2021/22	Never	M	2	Y
Cemetery & Crematorium					
	- Gwent Crematorium	2016/17	M	15	Y
Waste & Cleansing					
	Waste Collections				
	- Refuse	2015/16	M	15	Y
	Landfill Site				

	- Household Waste Recycling Centre	2013/14	M	15	Y
General					
	Financial Advice	Annual		4	
	Follow up of Agreed Management Actions 2021/22	Annual		1.5	
	Finalisation of 2021/22 Audits	Annual		4	
Total Planned Days for Environment & Public Protection				103	8

Housing & Communities		Last Review	Risk	2022/23	Opinion
HSG / Supporting People					
	Supporting People	2013/14			
	- Housing Support Grant	2021/22	M	7	Y
Strategic Housing					
	- Private Sector Housing (Leasing)	2009/10	M	15	Y
Housing Needs & Homelessness					
	Housing Needs	-	H	20	Y
General					
	Financial Advice	Annual		4	
	Follow up of Agreed Management Actions 2021/22	Annual		1.5	
Total Planned Days for Housing & Communities				48	3
Total Days in IA Plan				1073	
IA Resources Available				1073	