

# Report

## Governance & Audit Committee

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### Part 1

Date: 25 January 2024

**Subject** Internal Audit – Progress against audit plan 2023/24  
Quarter 3

**Purpose** This reports updates Members of the Governance & Audit Committee on progress in the completion of the 2023/24 agreed audit plan up to the end of the third quarter, by providing information on audit opinions given to date and progress against key performance targets.

**Author** Interim Chief Internal Auditor

**Ward** General

**Summary** The attached report identifies that the Internal Audit Section is making progress against the 2023/24 audit plan and internal performance indicators.

The original audit plan was based on 862 audit days.

**Proposal** 1) The report be noted by the Council's Governance & Audit Committee

**Action by** The 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. This report aims to inform Members of the Governance & Audit Committee of progress made on the completion of the agreed Internal Audit plan. Progress against the audit plan for the first nine months of the year is reported here along with the performance of the team for that period.
2. The report also gives Members assurance (or otherwise) on the adequacy of the internal control environment operated within the Council by showing the audit opinions given on work undertaken at the end of Q3.

### Internal Audit Staffing

3. The team currently operates with an establishment of 6.5 audit staff. The Committee will be aware of the ongoing resourcing issues within the team, however it is pleasing to note that 2x Auditor vacancies have been filled and those roles have commenced; whilst at the time of reporting recruitment exercises were ongoing for the vacant Principal Auditor and Senior Auditor posts.
4. The relationship with South West Audit Partnership (SWAP) continues, who provide external support with the undertaking of the audit plan. This currently consists of interim management support for two days per week, along with 130 days of audit delivery. Additionally, a further 15 days of delivery by SWAP has been commissioned by the Head of Finance, for the provision of a Fraud Risk Assessment. See 10. for further details.
5. The longer term arrangements for the audit team remain under consideration. The Head of Finance is leading on this work.

### Internal Audit Plan Delivery

6. The 2023/24 Internal Audit Plan was agreed by the Governance & Audit Committee on the 25<sup>th</sup> May 2023 and was based on 862 audit days. This included 48 new opinion related jobs, as well as 13 ongoing opinion jobs from 2022/23. All audit jobs which were ongoing at year end 2022/23 were completed by the end of quarter 2.
7. The section's performance is measured against performance indicators set and agreed by the Welsh Chief Auditors' Group. Performance against these indicators is reported to the Governance & Audit Committee on a quarterly basis; the targets for each of the indicators were set internally by the previous Chief Internal Auditor. The performance for Quarter 3 2023/24 is outlined within **Appendix A**, which shows 32% of the plan has been completed (against a 50% target), whilst promptness of draft report issue (6 days vs. 10 day target) and report finalisation (3 days vs. 5 day target) remain within their targets.
8. The ongoing resourcing challenges within the team have meant that the delivery of opinion audit reviews has been prioritised. See **Appendix B** for an outline of all completed and live opinion jobs within 2023/24 and their current delivery status. The assurance opinions provided against completed jobs have been extremely positive.
9. Based on the current known staffing arrangements, it is expected that a total of 36 of the 48 new opinion jobs for 2023/24 will be completed by the end of March 2024, compared to a forecast of 34 within the quarter 2 update. This number will be able to increase further should current recruitment activities be successful.
10. Following the Audit Wales report regarding Counter Fraud Arrangements (issued August 2023), action is being taken to address the recommendations made. To support this, SWAP's Counter Fraud Team has been engaged to undertake a Fraud Risk Assessment for the Council. Once

complete, this will provide an outline of the key fraud risks which require further oversight and scrutiny, such as being built into future Internal Audit plans.

11. Audit opinions provided relate to the adequacy of internal controls within the system or establishment being reviewed. The opinion is derived from the balance of strengths and weaknesses identified from evidence obtained, and testing undertaken, during the audit. It is pleasing to note that there have been no *Limited* or *No Assurance* opinions provided in the current financial year.
12. Where *Limited* or *No Assurance* opinions are issued, they are followed up to ensure that the agreed actions have been taken by management and that the internal control systems are improved. No Follow Up Reviews were undertaken within quarter 3.
13. Definitions of the audit opinions used are shown at **Appendix D**.

#### Quality Control

14. On completion of all audit reviews, an evaluation questionnaire is sent out to the service manager with the final report. These questionnaires are returned in confidence to the Internal Audit team, with the information assessed and any negative comments addressed. Feedback received from service managers via these questionnaires has been very positive; this will continue to be collated throughout the year and fed into the annual audit report for 2023/24.

#### Financial Training

15. Three financial training sessions have been held within 2023/24. None were held during quarter 3, to enable the prioritisation of opinion job delivery.

#### Public Sector Internal Audit Standards (PSIAS)

16. The Public Sector Internal Audit Standards (PSIAS) (IIA) came into force from April 2013 (updated March 2017) which the team needs to ensure it is compliant with as it carries out work in line with the audit plan.
17. A requirement of the PSIAS is for the Internal Audit team to be externally assessed once every five years to ensure compliance with these Standards. The most recent review took place in 2017/18; the outcome being that the team is compliant with the Standards, with no significant areas of non-compliance. The next review was due to take place at the end of 2023, however resourcing issues have required this to be delayed into 2024. Plans will be put in place for this to occur within quarter 1 of 2024/25.

#### Service Management Responsibilities

18. Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by incorporating their agreed actions into the audit reports. When management sign off the reports, they are accepting responsibility for addressing the issues identified within the agreed timescales.
19. Although Heads of Service are responsible for implementing and maintaining adequate internal controls within service areas, operational managers are responsible for working within those controls and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Heads of Service for information and appropriate action where necessary.

## Financial Summary

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

## Risks

21. If the plan is not completed to an adequate level due to a lack of resource in the team, the Interim Chief Internal Auditor may have to qualify the year end assurance opinion provided to the Governance & Audit Committee. The audit plan has been reprioritised to help mitigate this risk.

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?
Audit Plan not completed	M	M	Audit work has been prioritised and an external provider (SWAP) are providing support.	Interim Chief Internal Auditor

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

22. 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, hence Improving People's Lives.

## Options Available

23. This is a factual progress report and therefore there are no specific options to be considered. The quarterly reports provide 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.

24. The Governance & Audit Committee is asked to note progress on delivery of the audit plan and audit opinions given to date and ask questions, make observations and recommendations, as necessary.

## Preferred Option and Why

25. N/A

## Comments of Chief Financial Officer

26. This is a regular update report on the delivery of the annual audit plan. Staffing/resourcing challenges are having an impact on the delivery of this year's plan and external consultancy is assisting in this regard. The prospect of a limited assurance from the Chief Internal Auditor based on what opinion jobs have been completed is a potential prospect.

The Head of Finance and interim Chief Internal Auditor monitor the delivery of the plan closely to manage and mitigate, as far as possible the above risk.

A verbal update on recruitment and resourcing within the internal audit team will be given to the Committee.

## **Comments of Monitoring Officer**

27. There are no legal implications. The report has been prepared in accordance with the Council's internal audit procedures and the Performance Management Framework. The progress made to date in delivering the objectives set out in the approved Audit Plan highlights the effectiveness of the work undertaken by this service area in ensuring that adequate and effective internal control measures are in place.

## **Comments of Head of People, Policy and Transformation**

28. Providing management assurance on systems gives the Council confidence that there is sound financial and operational management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. This supports delivery of the Council's Corporate Plan 2022-2027 and Annual Governance Statement.

## **Local issues**

29. N/A

## **Scrutiny Committees**

30. N/A

## **Equalities Impact Assessment and the Equalities Act 2010**

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 a progress report on performance and audit opinions there is no need for an Equalities Impact Assessment. All audits are undertaken in a non-discriminatory manner.

## **Children and Families (Wales) Measure**

33. N/A

## **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 provides assurance and oversight of an effective internal audit provision to carry out its duties.

## **Crime and Disorder Act 1998**

35. The work undertaken by Internal Audit should minimise potential fraud, corruption, theft or misappropriation within the Council. Allegations of potential criminal activity will be investigated and reported to the police where appropriate.

## **Consultation**

36. N/A

## **Background Papers**

37. N/A

## Appendix A

## Newport City Council

## Internal Audit Service

## Performance Indicators

<b>2022/23</b>	22/23 Target	1 <sup>st</sup> Qtr 22/23	2 <sup>nd</sup> Qtr 22/23	3 <sup>rd</sup> Qtr 22/23	4 <sup>th</sup> Qtr 22/23	Comments
Proportion of planned audits complete	82%	19%	31%	47%	77%	[Profiled Target Q3 50%]
Directly chargeable time against total time available	50%	50%	56%	52%	54%	Quarterly performance
Directly chargeable time against planned	100%	60%	58%	62%	-	Quarterly performance
Proportion of Special Reviews responded to within 5 working days	100%	100%	100%	N/A	100%	Cumulative figures
Number of sessions provided to train staff in all Service Areas on best financial practice	8	3	5	8	10	Cumulative figures
Staff turnover rate (number of staff)	0	0	0	0	0	Quarterly performance
Promptness of draft report issue (end of fieldwork to draft report issue date)	10 days	2 days	3 days	5 days	5 days	Cumulative figures
Promptness of report finalisation (date of client meeting to final report issue date)	5 days	2 days	2 days	2 days	2 days	Cumulative figures

<b>2023/24</b>	23/24 Target	1 <sup>st</sup> Qtr 23/24	2 <sup>nd</sup> Qtr 23/24	3 <sup>rd</sup> Qtr 23/24	4 <sup>th</sup> Qtr 23/24	Comments
Proportion of planned audits complete	82%	12%	23%	32%		[Profiled Target Q3 50%]
Directly chargeable time against total time available	50%	42%	**	**		Quarterly performance
Directly chargeable time against planned	100%	54%	**	**		Quarterly performance
Proportion of Special Reviews responded to within 5 working days	100%	100%	100%	100%		Cumulative figures
Number of sessions provided to train staff in all Service Areas on best financial practice	8	2	3	3		Cumulative figures
Staff turnover rate (number of staff)	0	3.5 (63%)	1 (50%)	0 (0%)		Quarterly performance
Promptness of draft report issue (end of fieldwork to draft report issue date)	10 days	6 days	8 days	6 days		Cumulative figures
Promptness of report finalisation (date of client meeting to final report issue date)	5 days	3 days	3 days	3 days		Cumulative figures

\*\* Figures not calculated due to levels of external support being provided.

## Appendix B

### Q1 – Q3 Opinions

(not inclusive of 2022/23 carry forward reviews)

Substantial	8
Reasonable	5
Limited	0
No Assurance	0
Unqualified	4
Total	17

## Internal Audit Services - Management Information for 2023/24

Outstanding From 2022/23						
Job Number	Service Area	Section or Team	Job Title	Risk Rating	Status	Opinion Given
F2324-F4	People, Policy & Transformation	Climate Change	Health & Safety (Occupational Health) (2022/23)	H	Final	Substantial
F2324-F7	Children Services	Fostering & Adoption	Fostering Panel (2022/23)	M	Final	Substantial
F2324-F9	Education Services	Primary Schools	Gaer Primary School (2022/23)	M	Final	Substantial
F2324-F10	Education Services	Primary Schools	Malpas Park Primary School (2022/23)	M	Final	Substantial
F2324-F1	Finance	Accountancy	Capital Programme (2022/23)	H	Final	Reasonable
F2324-F2	Finance	Benefits	Housing Benefits (Follow Up) 2021/22	H	Final	Reasonable
F2324-F3	People, Policy & Transformation	Digital Services & Complaints	Internal Mobile Telephony (Follow Up) 2021/22	H	Final	Reasonable
F2324-F13	Environment & PP	Public Protection	Newport City Dogs Home (Follow Up) 2021/22	H	Final	Reasonable
F2324-F5	Law & Standards	Registration	Registration Services (2022/23)	M	Final	Reasonable
F2324-F8	Education Services	Inclusion / ALN	Education Psychology (2022/23)	M	Final	Reasonable
F2324-F11	Education Services	Primary Schools	Malpas Church in Wales Primary School (2022/23)	M	Final	Reasonable



F2324-F6	Social Services	Childrens Services	Adoption Allowances Follow Up #2	H	Final	Limited
F2324-F12	Infrastructure (City Services)	Transport	PTU – Taxi Contracts Follow Up #1	H	Final	Limited
<b>2023/24 Reviews</b>						
<b>Job Number</b>	<b>Service Area</b>	<b>Section or Team</b>	<b>Job Title</b>	<b>Risk Rating</b>	<b>Status</b>	<b>Opinion Given</b>
P2324-P33	Infrastructure (City Services)	Transport	PTU – Taxi Contracts Follow Up #2	H	Final	Substantial
P2324-P37	Finance	Accountancy	Treasury Management Strategy	H	Final	Substantial
P2324-P41	Finance	Cross Cutting	Authorisation Processes (Creditors/Treasury/ Payroll)	H	Final	Substantial
P2324-P50	People, Policy & Transformation	General	Corporate Governance Follow Up	H	Final	Substantial
P2324-P54	Law & Standards	Democratic Services	Democratic Services & Governance	H	Final	Substantial
P2324-1	Regen & Economic Development	City Regeneration	Regeneration Initiatives	M	Final	Substantial
P2324-P6	Education Services	Resources & Planning	School Admissions & Appeals	M	Final	Substantial
P2324-P15	Education Services	Special Schools	Ysgol Bryn Derw	M	Final	Substantial
P2324-P3	Regen & Economic Development	Planning, Building Control & Development	Planning Obligations (S106)	M	Final	Reasonable
P2324-P8	Education Services	Resources & Planning	Breakfast Clubs	M	Final	Reasonable
P2324-P32	Infrastructure (City Services)	Transport	Parking Services	M	Final	Reasonable
P2324-P60	Children Services	Residential & Operations	Rosedale	M	Final	Reasonable
P2324-P65	Adult Services	Adult Social Work Teams	Occupational Therapy Service	M	Final	Reasonable

P2324-P16	Education Services	Grants	School Improvement Grant 2022/23	M	Final	Unqualified
P2324-P17	Education Services	Grants	Pupil Development Grant 2022/23	M	Final	Unqualified
P2324-P24	Housing & Communities	HSG/ Supporting People	Housing Support Grant 2022/23	M	Final	Unqualified
P2324-P29	Environment & PP	Public Protection	Scambusters Grant Claim 2022/23	M	Final	Unqualified
P2324-P22	Housing & Communities	Strategic Housing	Private Sector Leasing	H	In Progress	-
P2324-P39	Finance	Procurement & Payments	eTendering	H	In Progress	-
P2324-P43	Finance	General	NFI	H	In Progress	-
P2324-P48	People, Policy & Transformation	Transformation & Intelligence	Risk Management	H	In Progress	-
P2324-P2	Regen & Economic Development	Economic Development	Skills & Work Contract	M	In Progress	-
P2324-P14	Education Services	Secondary Schools	Ysgol Gyfun Gwent Is Coed	M	In Progress	-
P2324-P18	Education Services	Other – School Related	Control Risk Self-Assessments	M	In Progress	-
P2324-P25	Housing & Communities	Environmental Health Housing	Private Sector Housing (HMO)	M	In Progress	-
P2324-P47	People, Policy & Transformation	Transformation & Intelligence	Database System Administration	M	In Progress	-
P2324-P58	Children Services	Children's Social Work Teams	Asylum Seekers Imprest Account	M	In Progress	-
P2324-P61	Children Services	Residential & Operations	Control Risk Self-Assessments	M	In Progress	-
P2324-P67	Adult Services	Residential & Day Services	Control Risk Self-Assessments	M	In Progress	-
P2324-P72	Prevention & Inclusion	Integrated Family Support Service	Community Connectors & Carers	M	In Progress	-
P2324-P10	Education Services	Primary Schools	St Mary's RC Primary	M	Scoping	-
P2324-P11	Education Services	Primary Schools	Jubilee Park Primary	M	Scoping	-

P2324-P13	Education Services	Primary Schools	Pillgwenlly Primary	M	Scoping	-
P2324-P26	Housing & Communities	Vulnerable Persons Resettlement Scheme	Vulnerable Persons Resettlement Scheme	M	Scoping	-
P2324-P34	Infrastructure (City Services)	Fleet	Fleet/Vehicle Management	M	Scoping	-
P2324-P55	Law & Standards	Electoral Registration	Electoral Registration	M	Scoping	-

## Appendix C

### INTERNAL AUDIT SERVICES – OPINION DEFINITIONS

	<b>SUBSTANTIAL</b>	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
	<b>REASONABLE</b>	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
	<b>LIMITED</b>	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
	<b>NO ASSURANCE</b>	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

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>