

Report

Governance and Audit Committee

Part 1

Date: 28th March 2024

Subject Internal Audit Annual Plan 2024/25

Purpose To inform Members of the Council's Governance and Audit Committee of the Internal Audit Plan for 2024/25, providing opportunity for comment and approval.

Author Interim 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 Internal Audit Plan for 2024/25, which is based on an assessment of risk and available audit resources for the 12 months of the financial year. The plan is based on the available resource of 971 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 2024/25 be approved by the Council's Governance and Audit Committee.

Action by The Governance and Audit Committee

Timetable This report was prepared after consultation with:

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

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 across 2024/25. 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. 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.
3. Prior to the start of each financial year, Internal Audit, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.
4. In previous years, the May Governance & Audit Committee meeting has been used to present the Internal Audit Plan, however the 2024/25 plan is being presented to the March 2024 meeting to provide a full year for its delivery.
5. The outcomes of each of the audits in our planned programme of work will provide senior management and members with assurance that the current risks faced by the Council in these areas are adequately controlled and managed.
6. 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 Interim Chief Internal Auditor, the Internal Audit Section at Newport City Council undertakes this provision on behalf of the Head of Finance.

Independence

7. 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 Interim Chief Internal Auditor is responsible for the control and direction of Internal Audit;
 - the Interim Chief Internal Auditor has a duty to report direct to the Chief Executive and the Leader of the Council on any matter which they feel 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 Interim Chief Internal Auditor; and
 - the Interim 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.

Internal Audit Plan Creation and Key Inclusions

8. The plan has been compiled in liaison with the 11 Heads of Services at Newport City Council. This collaborative approach has enabled discussions regarding priority areas for Internal Audit coverage within the 2024/25 plan.

9. The attached audit plan (**Appendix 1**) shows the areas of internal audit coverage for 2024/25, broken down by Directorate and Service Area. The following aspects have played key parts in the creation of the plan:
 - Meetings with the Head of Finance (as part of their Section 151 role).
 - Meetings with each Head of Service and input from their Service Managers. These meetings were informed by reviews of key Council documentation, such as the Corporate Plan, the Corporate Risk Register, external review reports and budget documentation.
 - A discussion with the Governance & Audit Committee Chair.
 - A discussion with the Performance & Programmes Manager.
 - Consideration of the Audit Universe, which acts as Internal Audit's strategic plan, highlighting areas which have lacked coverage in recent years.
 - Use of key external publications and liaison with fellow Chief Internal Auditors.
10. Some key areas of inclusion within the 2024/25 plan are as follows:
 - New Finance System x3: Reviews scheduled to cover data migration and feeder system interfaces (Q1), system workflows & separation of duties (Q2), and debtors data migration (Q4).
 - Deferred reviews from 2023/24: Adoption Allowances Follow Up #3, Children's Money Follow Up, Direct Payments, Families First, Enforcement (Waste).
 - Cross Cutting Reviews: Gifts & Hospitality, P-cards, Overtime.
 - Targeted Counter Fraud Work: Following outcomes of ongoing Fraud Risk Assessment review.
11. The Internal Audit Plan was presented to and approved by the Executive Board on 5th March 2024.
12. Due to a change in how available resource is presented (such as the combining of previously separate advice and support jobs into one job, and the cross service reviews such as WCCIS and ALN Transport), it is not possible to provide a like for like comparison with the number of audit jobs from previous years. The focus has been on ensuring adequate coverage of key risk areas within the plan.
13. The 2024/25 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. This leaves 971 days available to undertake audit work.
14. Although Internal Audit has finite resources, the aim is to provide as much coverage of the Council's systems and establishments as possible. The proposed plan provides audit delivery across all Council Service Areas.
15. Agreed management actions of previous audit reports will be followed up during 2024/25; this will identify the progress managers have made on addressing weaknesses in internal control. For 2024/25 the follow up process will be enhanced to make it more robust. This will be reported back to the Governance and Audit Committee on a regular basis.
16. It is important to note that, whilst this plan provides the proposed coverage for the whole of 2024/25, it remains under constant review to ensure that changing risk profiles or audit priorities can be accommodated. Where significant changes to the 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 progress against this plan will continue to be reported to the Governance and Audit Committee on a regular basis.

Resources

17. A number of resource challenges have been experienced across 2023/24, which has impacted upon the available outputs of the Internal Audit function. To construct an Internal Audit Plan for 2024/25, it has been important to determine the available resource to deliver audits. The following team is currently in place:
- Interim Chief Internal Auditor – 2 days per week since September 2023. This role has recently been extended until July 2024 to provide continuity for the team.
 - Principal Auditor x1
 - Auditor x2
 - Vacancies:
 - Principal Auditor x1 and Senior Auditor x1 – With a recent recruitment exercise unsuccessful, steps have been taken to ensure delivery for 2024/25. Up to 360 days of audit delivery have been procured with SWAP Internal Audit Services (in addition to those days being delivered by the Interim Chief Internal Auditor). This ensures that, should any future recruitment process be unsuccessful, there is continuity of delivery across 2024/25, providing a level of mitigation to the risk of non-delivery experienced throughout 2023/24.
 - A permanent management arrangement (Chief Internal Auditor / Audit Manager) remains undetermined, due to the ongoing considerations regarding the future positioning of the Internal Audit function.

This information has been used to determine the 971 available 'productive' days.

18. The longer term arrangements for the Internal Audit team remain under consideration. Progress in this regard is being led by the Head of Finance, with a recommendation for future arrangements expected within quarter 1 of 2024/25.

Internal Audit Standards & External Relations

19. The Interim Chief Internal Auditor will continue to ensure compliance with the Public Sector Internal Audit Standards. An external assessment against the Internal Audit team's compliance with these standards will be performed in May 2024.
20. New Global Internal Audit Standards are to be implemented from January 2025. Once further information is understood on the upcoming changes, including the impacts upon the Public Sector Internal Audit Standards, the Governance & Audit Committee will be notified.
21. An Internal Audit Charter is in place which sets out the nature, role, responsibility, status and authority of internal auditing at the Council. Newport City Council's Internal Audit Charter was last approved by the Governance & Audit Committee in May 2022. A further review of the Charter will be undertaken later in the year to ensure compliance with the GIAS.
22. 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.

Risks

23. 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 Internal Audit Plan	M	L	The Interim Chief Internal Auditor is providing this report to Governance and Audit Committee so its Members are able to scrutinise and approve the 2024/25 Internal Audit Plan.	Interim Chief Internal Auditor
Insufficient resources to deliver the Internal Audit Plan	M	L	Steps have been taken to ensure that, should future recruitment activities be unsuccessful, delivery can be maintained.	Interim Chief Internal Auditor / Head of Finance

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

24. The work of Internal Audit supports the Council's successful achievement of priorities and plans.

Options Available

25. (1) That the Annual Internal Audit Plan for 2024/25 be approved, subject to any amendments suggested by the Governance and Audit Committee.

Preferred Option and Why

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

Comments of Chief Financial Officer

27. 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, together with local priorities.

28. The report outlines the resources anticipated to be available during 2024/25, and the audit plan has been drafted within those constraints. It should be noted by the Committee that there continue to be challenges recruiting to vacant roles. However, this challenge is being mitigated by the procurement of audit capacity from SWAP, which is available to fill any gap created by an inability to recruit. Therefore, there is a reasonable amount of confidence that the proposed audit plan is deliverable, irrespective of whether vacancies can be filled.

29. It should also be noted that the longer term arrangements relating to the Internal Audit function remain under consideration. At the appropriate time, the proposed future arrangements will be reported to the Committee. Once those arrangements are agreed, it should provide greater certainty regarding delivery of the audit plan, as greater resilience will be in place.

Comments of Monitoring Officer

30. There are no specific legal issues arising from the report, which sets out the operational Internal Audit Plan for 2024/25 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 and Transformation

31. The development of the 2024/25 Internal Audit Plan has considered the principles of the Well-being of Future Generations Act. The Plan for 2024/25 provides necessary assurance for the Council to deliver its Corporate Plan and its strategic priorities to meet the necessary statutory and non-statutory requirements. As noted in the report the views of the Council's senior officers and Chair of the Governance & Audit Committee have been considered in the development of the Plan.
32. There are no specific HR issues arising as a result of the report. which sets out the operational Internal Audit Plan for 2024/25 and identifies the specific areas of audit work that will be carried out, having regard to the corporate risk profile and available staffing resources.

Equality Impact Assessment

33. As this is an internal report on planned audit work there is no requirement for an Equalities Impact Assessment to be completed. All audits are undertaken consider the necessary equalities (including Socio-Economic impact), Welsh language legislative requirements.

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 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

35. No external consultation is required for this report. Internal consultations have been completed in the development of the Internal Audit Plan as outlined in the report.

Dated:

Appendix 1

	Audit Area	Directorate	Service Area	Risk Level
Regen & ED	SPF Programme Management	Chief Executive	Regeneration & ED	H
	Safeguarding	Chief Executive	Regeneration & ED	H
	Medieval Ship	Chief Executive	Regeneration & ED	M
Education	Catering Contract	Chief Executive	Education	H
	ALN Transport	Chief Executive	Education	H
	21st Century Schools	Chief Executive	Education	H
	SIG Grant	Chief Executive	Education	M
	PDG Grant	Chief Executive	Education	M
	CRSA	Chief Executive	Education	M
	School Review x6	Chief Executive	Education	M
Tendering of Non-Maintained Settings	Chief Executive	Education	M	
Housing	Housing Needs & Homelessness	Environment & Sustainability	Housing	H
	Housing Support Grant - Usage	Environment & Sustainability	Housing	M
	Housing Support Grant - Funding Impact	Environment & Sustainability	Housing	M
	Library Service	Environment & Sustainability	Housing	M
	Grant Governance (Social Housing Grant & Transitional Accommodation Grant)	Environment & Sustainability	Housing	M

Environment & PP	Scambusters Grant	Environment & Sustainability	Environment & PP	M
	Enforcement (Waste)	Environment & Sustainability	Environment & PP	M
	Energy Usage & Efficiency	Environment & Sustainability	Environment & PP	M
Infrastructure	ALN Transport	Environment & Sustainability	Infrastructure	H
	Contract Management Review	Environment & Sustainability	Infrastructure	H
	EV / Fleet Sustainability	Environment & Sustainability	Infrastructure	M
Law & Standards	Elections Act Compliance	Transformation & Corporate	Law & Standards	H
	Land Charges	Transformation & Corporate	Law & Standards	M
	Private Practice Payments	Transformation & Corporate	Law & Standards	M
Policy, People & Transformation	Project Management	Transformation & Corporate	Policy, People & Transformation	H
	Website Redevelopment	Transformation & Corporate	Policy, People & Transformation	M
	Strategy & Policy Creation	Transformation & Corporate	Policy, People & Transformation	M
	Establishment Control	Transformation & Corporate	Policy, People & Transformation	M

Finance	New Finance System Review #1	Transformation & Corporate	Finance	H
	New Finance System Review #2	Transformation & Corporate	Finance	H
	New Finance System Review #3	Transformation & Corporate	Finance	H
	New Procurement Legislation Readiness	Transformation & Corporate	Finance	H
	Housing, Temporary Accommodation & Emergency Payments	Transformation & Corporate	Finance	H
	IFRS16 (Leases)	Transformation & Corporate	Finance	M
	CT Base - Property Accuracy	Transformation & Corporate	Finance	M
Children Services	Adoption Allowances Follow Up #3	Social Services	Children Services	H
	Children's Money Follow Up	Social Services	Children Services	H
	WCCIS	Social Services	Children Services	H
	Children's Commissioning	Social Services	Children Services	H
	SGO Allowance Reviews	Social Services	Children Services	M
	Windmill Farm	Social Services	Children Services	M
	CRSA	Social Services	Children Services	M
Adult Services	Direct Payments	Social Services	Adult Services	H
	WCCIS	Social Services	Adult Services	H
	Managed Care	Social Services	Adult Services	H
	Appointeeship	Social Services	Adult Services	H
	Centrica Lodge	Social Services	Adult Services	M

	CRSA	Social Services	Adult Services	M
Prevention & Inclusion	Families First	Social Services	Prevention & Inclusion	H
	WCCIS	Social Services	Prevention & Inclusion	H
	Flying Start	Social Services	Prevention & Inclusion	H
	Disabled Facilities Grants	Social Services	Prevention & Inclusion	M
Cross Cutting	Gifts & Hospitality	Cross Cutting Review	Cross Cutting Review	H
	P-Cards	Cross Cutting Review	Cross Cutting Review	H
	Overtime	Cross Cutting Review	Cross Cutting Review	H
Support / Admin	Follow Up of Management Actions	Support / Admin	Support / Admin	N/A
	Planning/Advice/Training/Support	Support / Admin	Support / Admin	N/A
	Completion of ongoing 23/24 work	Support / Admin	Support / Admin	N/A
Counter Fraud	Reactive Fraud Work	Counter Fraud	Counter Fraud	N/A
	Targeted Proactive Fraud Work	Counter Fraud	Counter Fraud	N/A
	NFI	Counter Fraud	Counter Fraud	N/A