



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

GOVERNANCE & AUDIT COMMITTEE

27th September 2022

REPORT OF THE CHIEF ACCOUNTANT TECHNICAL & GOVERNANCE (Head of Internal Audit) – DIANE MULLIGAN

**MATTERS FOR DECISION
WARDS AFFECTED – ALL**

INTERNAL AUDIT STRATEGY & RISK BASED PLAN FOR 2022-2023

1. Purpose of Report

1.1 The purpose of this report is to provide members with details of the draft Internal Audit Strategy and Risk Based Plan for the period 1st April 2022 to 31st March 2023 and the current Internal Charter and to seek their approval of each of the documents.

2. Background

2.1 The Public Sector Internal Audit Standards (The Standards) mandate that the Head of Internal Audit (HIA) formulates a risk based internal audit plan annually which supports the organisation's objectives and details the priorities of the internal audit service. The plan must also link to a high level audit strategy, attached as appendix 1 to this report, which provides detail of how the internal audit service will be delivered.

2.2 This year's draft plan, attached as appendix 2 to this report, was developed in conjunction with the Audit Manager. The Audit Manager met with all of the Senior Management Teams, consisting of Corporate Directors and Heads of Services to discuss their priorities and risk areas.

2.3 When compiling the draft internal audit plan the following was taken into account:

- The Corporate Risk Register
- Corporate priorities as detailed within the Corporate Plan 2022-2027
- Requests following meetings with the Senior Management Teams
- Audits carried forward from 2021/22
- Fundamental financial systems
- Grant claims
- Audit knowledge of council services and new developments
- Audits subject to Service Level Agreements

2.4 The Standards require that the risk based plan provides sufficient coverage across all of the Council's activities to enable the HIA to provide an annual opinion on the control environment operating within the Council.

2.5 Audits will continue to be undertaken via a combination of remote and face to face meetings.

2.6 As members are aware the plan needs to be flexible to allow for unexpected items during the year that require audit input. In line with the terms of reference of this committee quarterly reports will be provided which will detail progress against the plan and seek members' approval of any changes to items contained within the plan.

3. Financial Impacts

No implications

4. Integrated Impact Assessment

A first stage impact assessment has been undertaken to assist the Council in discharging its legislative duties (under the Equality Act 2010, the Welsh Language Standards (No1) Regulations, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016.

The first stage assessment, attached as appendix 4 has indicated that a more in depth assessment is not required.

5. Workforce Impacts

No implications

6. Risk Management Impacts

The Audit Strategy and Audit Plan and the proposed audits contained therein form a fundamental part of the risk management and governance processes of the Council.

7. Valley Communities Impacts

No implications

8. Legal Impacts

No implications

9. Consultation

There is no requirement under the Constitution for external consultation on this item.

10. Recommendations

It is recommended that members approve the draft Internal Audit Strategy as set out in appendix 1.

It is recommended that members approve the draft Internal Audit Plan as detailed in appendix 2.

It is recommended that members approve the updated Internal Audit Charter as detailed in appendix 3.

11. Reason for Proposed Decision

To ensure compliance with the terms of reference of the Governance and Audit Committee and the Public Sector Internal Audit Standards.

12. Implementation of Decision

The decision is proposed for implementation after the three day call in period.

13. Appendices

Appendix 1 – Draft Internal Audit Strategy for 2022-23

Appendix 2 – Draft Internal Audit Plan for 2022-23

Appendix 3 – Internal Audit Charter

Appendix 4 – Integrated Impact Assessment

Officer Contact

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Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

Chief Executive's Directorate

Draft Internal Audit Strategy 2022-2023

1. INTRODUCTION

- 1.1 Internal Audit independently and objectively provides assurance to the Council and senior management on the adequacy and effectiveness of the internal control, governance and risk management processes operating across the Council.
- 1.2 The Council is a diverse organisation and provides a wide and varied number of services to the residents of the County Borough Area and operates numerous systems which require internal controls. Each and every system can potentially be audited however it is not practical nor realistic to aim to audit each system every year. Therefore audits undertaken are based on a cyclical basis and/or prioritised based on the risk their failure poses to the achievement of the Council's aims.
- 1.3 Within this Council the Internal Audit Service is provided in-house via a team of 8.3 full time equivalent staff excluding the HIA.

2. DEFINITION OF INTERNAL AUDIT

- 2.1 The Public Sector Internal Audit Standards (The Standards) define Internal Audit as "an independent, objective assurance and consulting activity designed to add value and improve the 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."
- 2.2 The main purpose of Internal Audit is to provide assurance to members and chief officers on the adequacy of the internal control, governance and risk management processes operating with the Council.

- 2.3 Internal audit also offers consultancy services by way of advice to staff, attendance at working and task and finish groups, providing advice on internal controls when new IT systems are being developed and by undertaking special investigations in relation to allegations of theft, mal-practice or fraud.

3. REQUIREMENT FOR INTERNAL AUDIT

- 3.1 The Accounts & Audit (Wales) Regulations 2014 regulation 5 states “The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes (a) arrangements for the management of risk and (b) adequate and effective financial management. Regulation 7 states “a relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control”
- 3.2 The Accounts and Audit Regulations are supplemented by this Council’s Financial Regulations No 3.4.5 and Financial Procedures Nos. 4.9.8 and 4.9.9 which clearly define Chief Officers’ responsibilities in respect of Internal Audit rights of access.
- 3.3 Section 151 of the Local Government Act 1972 requires that “every local authority shall make arrangements for the proper administration of their financial affairs and shall ensure that one their officers has responsibility for the administration of those affairs”.
- 3.4 The responsible financial officer in the Council is the Chief Finance Officer. One of the more important ways in which he exercises his statutory responsibilities is through the work of the Internal Audit Service and this committee.
- 3.5 It is a requirement of the Standards that each internal audit service has an Internal Audit Charter. The Standards state “The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of ethics and Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.” The current Audit Charter is attached to this report as appendix 3 for members’ approval.

4. AUDIT PLAN DEVELOPMENT

- 4.1 The draft audit plan has been developed after consideration of the risks faced by the Council and the views of Chief Officers as to where audit resources would provide most value. In line with The Standards this plan makes best use of audit resources and will enable the service to provide assurance to members and officers on the control environment operating across the Council.
- 4.2 Whilst the majority of the plan was compiled using a risk based approach it does contain audits which are subject to Service Level Agreements. In addition to these audits there are also audits within the plan which are undertaken annually to provide assurance to the Section 151 Officer. These audits are of the fundamental financial systems operating within the Council.
- 4.3 The plan must be flexible and may need to be adapted to meet emerging risks or to reflect changes in available resources.
- 4.4 Quarterly updates of achievement against the plan will be provided to this committee and approval sought for any amendments to the plan.
- 4.5 Appendix 2 provides details of the audits planned for 2022-23.

5. INTERNAL AUDIT RESOURCES

- 5.1 The Internal Audit Service consists of 8.3 full time equivalent staff excluding the HIA.
- 5.2 The productive available audit days for 2022-23, having taking into account allowance for annual leave, sickness, vacancy, general training, study days for professional qualification attainment and allowance for supervision, management and planning, is 1,243 days.

6. AUDIT PLAN DELIVERY

- 6.1 The Standards state that all Internal Audit Staff should be suitably qualified, trained and experienced. To comply with The Standards the HIA must be a qualified CCAB accountant or hold the CMIIA qualification.

- 6.2 All audits are assigned to staff based on their skill set, experience and qualifications.
- 6.3 Audit objectives are agreed with relevant manager prior to commencement of fieldwork.
- 6.4 Following completion of the fieldwork a draft report is issued and discussed with management to seek agreement for the recommendations made. Only when the draft report is agreed is the final report issued. All final reports are copied to the Chief Executive, the relevant Corporate Director and Head of Service and Audit Wales. In the case of school audits the Chair of Governors is also provided with a copy of the final report.
- 6.5 The final report will contain the assurance rating applied following the audit.
- 6.6 This committee is provided with details of all audit reports issued, together with the risk rating applied and a summary of the key findings.

7. POST AUDIT REVIEWS

- 7.1 Following each audit a post audit review is undertaken. During this review testing is undertaken to confirm implementation of agreed recommendations.
- 7.2 Details of post audit reviews are reported to this committee.



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

DRAFT INTERNAL AUDIT PLAN 2022-23

DIRECTORATE	AUDIT AREA	PLANNED NUMBER OF DAYS	RISK RATING
Chief Executives			
Chief Executive - Karen Jones	Members ICT equipment	10	Medium
	Ethics - Members	15	Medium
Chief Finance Officer-Huw Jones	Payroll	30	High
	Council Tax	5	Low
	Housing Benefits	20	High
	Creditors	5	Medium
	National Non-Domestic Rates	5	Medium
	Debtors	15	Medium
	Creditors (Monthly checks)	12	Medium
	Court Deputy Service	20	Medium
	Third Sector Grants	15	Medium

<p>Head of Legal & Democratic Services - Craig Griffiths</p>	<p>Registrars Procurement GDPR & Data Security*</p>	<p>15 30 20</p>	<p>Medium High High</p>
<p>Head of HR & Organisational Development-Sheenagh Rees</p>	<p>Compliance with Safe Recruitment Policy</p>	<p>20</p>	<p>Medium</p>
*jointly with Chief Digital Officer			
<p>Education Leisure & Lifelong Learning Corporate Director-Andrew Thomas</p>	<p>Leisure Insourcing PDG Access & Glamorgan Education Trust Grants</p>	<p>15 10</p>	<p>High Medium</p>
<p>Head of Educational Development- Chris Millis</p>	<p>Primary Schools Comprehensive Schools Pupil Deprivation Grant - compliance Music Service</p>	<p>120 35 20 10</p>	<p>Medium High High Low</p>
<p>Head of Support Services & Transformation-Rhiannon Crowhurst</p>	<p>Bursar & Primary Support Officer Service</p>	<p>20</p>	<p>Medium</p>

Head of Early Years Inclusion & Participation-Hayley Lervy	School Based Counselling Service	20	Medium
Environment Corporate Director-Nicola Pearce			
Head of Streetcare-Michael Roberts	Flood Risk Stores	20 5	High High
Head of South Wales Trunk Road Agency (SWTRA)- Richard Jones	Partners' use of vehicles	20	High
Head of Property & Regeneration-Simon Brennan	City Deal Projects Authorised Persons (Buildings)	15 5	High Medium
Social Services Health & Housing Corporate Director-Andrew Jarrett			
Head of Adult Services-Angela Thomas	External Provision of Care Day Centres Direct Payments	25 40 15	High Medium Medium
Head of Children & Young People Services-Keri Warren	Follow up on use of respite care Progress on actions identified in Audit Wales review of Safeguarding Pendarvis Contact Centre	10 5 10	Medium Medium Medium

All areas	Hillside Secure Children's Home	15	Medium
	Harm outside the family	10	Medium
	Grants	5	Medium
	Emergency Payments	20	High
Cross Directorate	Fraud & National Fraud Initiative	240	High
	Officers Declarations	15	Medium
	Special Investigations & Whistleblowing	115	High
	WFH Control of equipment	20	Medium
	Advice & Guidance Requests	90	Not applicable
	Attendance at working parties & task and finish groups	10	Not applicable
Other commitments	Staff association lottery	10	Not applicable
	Vision Impaired West Glamorgan	10	Not applicable
	FOI requests	5	Not applicable
Contingency		21	
		Total number of days 1,243	



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

INTERNAL AUDIT CHARTER 2022-23

INTRODUCTION

The purpose of this charter is to define what Internal Audit is and explain its purpose, authority and responsibility.

For the purposes of internal audit activity the following terms are defined as follows:

“board” - the Governance & Audit Committee

“senior management” - Chief Executive, Corporate Directors and Heads of Service

PURPOSE, SCOPE & AUTHORITY

Purpose

The Public Sector Internal Audit Standards (The Standards), last updated and revised in April 2017, define Internal Audit as:

“... 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”

Scope

This Council’s Financial Regulations 4.9.8 state that it is the responsibility of the Chief Finance Officer to ensure that internal auditors have the authority to:

- Access Authority premises at reasonable times
- Access assets, records, documents, correspondence and control systems
- Receive any information and explanation considered necessary concerning any matter under consideration;

- Require any employee of the Authority to account for cash, stores or any other Authority asset under their control
- Access records belonging to third parties, such as contractors, when required
- Directly access the Head of Paid Service, the Executive and Governance & Audit Committee
- To ensure that effective procedures are in place to investigate promptly any fraud, irregularity or malpractice.

Authority

The authority for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit (Wales) Regulations 2014 Part 3 Regulation 5-Responsibility for Internal Control & Financial Management states “(1) the relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body’s functions which includes (a) arrangements for the management of risk; and (b) adequate and effective financial management” Regulation 7, more specifically requires that “(1) a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. (2) any officer or member of that body must, if the body requires (a) make available such documents of the body which relate to its accounting and other records necessary for the purpose of the audit; and (b) supply the body with such information and explanation as that body considers necessary for that purpose (3) “A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.”

OBJECTIVES

Internal Audit’s main objectives are to:

- Provide a quality, independent and objective audit service that effectively meets the Council’s needs, adds value, improves operations and helps protect public resources
- Provide assurance to management that the Council’s operations are being conducted in accordance with external regulations, legislation, internal policies and procedures

- Provide advice and support to management to enable an effective control environment to be maintained
- Promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud
- Investigate allegations of fraud, bribery and corruption

ROLES & RESPONSIBILITIES

Role of Internal Audit

To meet Internal Audit objectives, Internal Auditors are responsible for:
Reviewing and assessing the soundness, adequacy and reliability of financial and non-financial management

Reviewing and assessing the effectiveness of internal controls and making recommendations for improvement, where appropriate

Reviewing and assessing procedures to check that the Council's assets and interests are adequately protected and risks are identified and effectively managed

Checking for compliance with legislation, Council policies and procedures

Promoting and assisting the Council in the effective use of resources

Undertaking independent investigations into allegations of fraud and irregularities in accordance with Council policies and procedures and relevant legislation.

Provision of the Internal Audit Function

The Internal Audit Function is provided "in house" and consists of the Audit Manager, 1 Senior Auditor, 6 Auditors, 1 Fraud Officer (9 people 8.3 FTE).

The role of Head of Internal Audit is undertaken by the Chief Accountant Technical & Governance.

In her role as Chief Accountant the Head of Internal Audit (HIA) also has responsibility the accountancy team responsible for producing the annual statement of account and all bank related matters, the insurance team. To maintain her independence in relation to the audit of other functions she has responsibility for she will have no involvement in the scope, timing, or staffing of these audits other than to receive the final report in line with normal reporting arrangements.

Management Structure

Internal Audit is part of the Chief Executive Directorate. However to ensure independence the HIA and the Audit Manager has unfettered access to the Chief Executive (Head of Paid Service) and or the chair of the Governance & Audit Committee should a situation warrant it.

Head of Internal Audit Responsibilities

In managerial terms to the Chief Finance Officer

Presenting the internal audit charter to the Governance & Audit Committee for approval.

Presenting and obtaining approval of the annual plan (produced in conjunction with the Audit Manager) from the Governance & Audit Committee.

Reporting quarterly to the Governance & Audit Committee on the work undertaken by the service. Reports to the Governance & Audit Committee will be authored by the Audit Manager and signed off by the HIA.

Reporting to Governance & Audit Committee on any serious weaknesses found in the internal control systems and any instances where recommendations have not been acted upon

Audit Manager's Responsibilities

In managerial terms to the Chief Finance Officer

To manage and lead the Internal Audit Team

To produce reports for Governance & Audit Committee for sign off by the HIA.

For the performance of the Internal Audit Service

To lead on Whistleblowing investigations and investigations in relation to fraud, theft & malpractice.

CODE OF ETHICS

The Internal Audit Service operates in accordance with the mandatory Public Sector Internal Audit Standards (PSIAS) 2013 updated in 2017 by ensuring that all internal auditors conform to the Code of Ethics principles of integrity, objectivity, confidentiality and competency.

Internal Audit Staff are required to complete a declaration of interests on an annual basis and are aware of the need to make known any changes which may affect their declaration as and when the changes occur.

Each member of the Internal Audit Section receives a copy of the Code of Ethics and signs up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as the Councils standards and policies such as the Code of Conduct. Where potential areas of conflict may arise during the year, the auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.

SERVICE STANDARDS

What you can expect from us:

- All internal audit work will comply with the mandatory Public Sector Internal Audit Standards.
- Internal Auditors will, at all times, exercise due professional care, act with integrity and take a professional, reliable, independent and innovative approach to their work.
- It is essential that Auditors are impartial so that when an audit opinion is given it is unbiased and based on the facts available. Should a situation arise where impartiality could be questioned then another Auditor will be assigned to undertake the audit.
- Where an Auditor was previously employed in a service area subject to audit then the Audit Manager will ensure that the Auditor concerned is not assigned audits in that area until at least 2 years have elapsed.

ANNUAL INTERNAL AUDIT PLAN

An annual audit plan is produced using a risk based methodology. During the planning process all Heads of Service are contacted and asked if there are any areas they wish to be included in the plan. The plan is then approved by the Audit & Governance Committee.

The plan is flexible and includes a contingency to allow for a change in priorities, emerging risks, specific service requests and ad hoc projects. An allowance is also included every year to allow for any special investigations i.e. allegations of fraud, theft of malpractice to be investigated.

In addition to the work carried out in line with the annual audit plan the Audit Manager and Senior Auditor also act as administrators for the Authority's online banking system. This is not deemed by either the Chief

Finance Officer in his role as Section 151 Officer, the Head of Internal Audit or the Audit Manager to impair independence or provide any conflict of interest as the duties undertaken on the system are of a “housekeeping” nature and no transactions are undertaken.

REPORTING

Audit Reports

- Give an opinion of the service as at the time of the audit
- Provide an assurance rating of the service audited
- Detail the work carried out and subsequent recommendations together with management responses where applicable.

Reporting Standards

Upon completion of the audit a draft report is issued to the service manager for agreement of findings and recommendations made. In accordance with professional standards a post audit review is carried out after an agreed period to ensure that agreed recommendations have been implemented.

Any agreed recommendations not implemented within a reasonable timescale will be reported to Governance & Audit Committee.

Internal Audit works to the reporting quality standards of:

Draft report issued within 5 days of field work being completed

Final report issued within 2 working days of draft report being agreed

QUALITY ASSURANCE

Internal Review

An internal self-assessment of the effectiveness of internal audit will be undertaken by the HIA annually.

Audits are fully reviewed by senior internal audit staff upon completion of field work, in addition to this all draft reports are reviewed by the Audit Manager prior to issue.

The HIA also monitors/reviews a sample of internal audit work programmes, working papers and reports to provide reasonable assurance that the work conforms to the relevant professional standards.

External Review

It is also a requirement of The Standards that all internal audit services are subject to a fully independent review every 5 years by a qualified independent assessor from outside the Authority. The next review is due to be undertaken during January 2023.

RELATIONSHIPS

Internal Auditors will treat all staff with respect, courtesy and professionalism at all times. Any confidential or sensitive issues raised with or reported to Internal Audit staff will be dealt with in an appropriate manner. Where issues are likely to cause embarrassment to or adversely affect the reputation of the Authority these will be raised with senior management promptly and dealt with as a priority.

Internal Auditors will ensure that they explain fully the purpose of the audit and the various stages the audit will follow. Internal Audit will agree with service managers the timing and scope of the audit prior to its commencement.

The normal course of communication with Councillors will be via the Governance & Audit Committee which meets 4 times per year. The HIA and the Audit Manager have access to the Chair of Governance & Audit Committee outside of the normal meetings should this be required in the event of a serious issue coming to light.

Internal audit will liaise with the Authority's external auditors in order to build a co-operative and professional working relationship, eliminate duplication of effort and ensure appropriate sharing of information.

FRAUD & IRREGULARITIES

Internal audit is responsible for investigating and reporting on all instances of suspected fraud, malpractice and theft whether reported directly to them or via the Authority's Whistleblowing Policy.

The Authority also participates in the National Fraud Initiative data matching exercise and Internal Audit investigate a range of the matches and co-ordinates the response to those best dealt with by the service areas.

Updated: August 2022

Integrated Impact Assessment - First Stage**1. Details of the initiative**

Initiative description and summary: Approval sought for the Internal Audit Strategy & Plan for 2022-23
Service Area: Internal Audit
Directorate: Chief Executives

2. Does the initiative affect:

	Yes	No
Service users		X
Staff	X	
Wider community		X
Internal administrative process only	X	

3. Does the initiative impact on people because of their:

	Yes	No	None/ Negligible	Don't Know	Impact H/M/L	Reasons for your decision (including evidence)/How might it impact?
Age		X				The matters reported relate to internal governance
Disability		X				The matters reported relate to internal governance
Gender Reassignment		X				The matters reported relate to internal governance

Appendix 4

Marriage/Civil Partnership		X				The matters reported relate to internal governance
Pregnancy/Maternity		X				The matters reported relate to internal governance
Race		X				The matters reported relate to internal governance
Religion/Belief		X				The matters reported relate to internal governance
Sex		X				The matters reported relate to internal governance
Sexual orientation		X				The matters reported relate to internal governance

4. Does the initiative impact on:

	Yes	No	None/ Negligible	Don't know	Impact H/M/L	Reasons for your decision (including evidence used) / How might it impact?
People's opportunities to use the Welsh language		X				The matters reported relate to internal governance
Treating the Welsh language no less favourably than English		X				The matters reported relate to internal governance

5. Does the initiative impact on biodiversity:

	Yes	No	None/ Negligible	Don't know	Impact H/M/L	Reasons for your decision (including evidence) / How might it impact?
To maintain and enhance biodiversity		X				The matters reported relate to internal governance
To promote the resilience of ecosystems, i.e. supporting protection of the wider environment, such as air quality, flood alleviation, etc.		X				The matters reported relate to internal governance

6. Does the initiative embrace the sustainable development principle (5 ways of working):



	Yes	No	Details
Long term - how the initiative supports the long term well-being of people		X	The matters reported relate to internal governance
Integration - how the initiative impacts upon our wellbeing objectives		X	The matters reported relate to internal governance
Involvement - how people have been involved in developing the initiative		X	The matters reported relate to internal governance

Collaboration - how we have worked with other services/organisations to find shared sustainable solutions		X	The matters reported relate to internal governance
Prevention - how the initiative will prevent problems occurring or getting worse		X	The matters reported relate to internal governance

7. Declaration - based on above assessment (tick as appropriate):

A full impact assessment (second stage) is not required	X
Reasons for this conclusion	
The changes proposed relate to internal governance arrangements and work undertaken by the internal audit team.	

A full impact assessment (second stage) is required	
Reasons for this conclusion	

	Name	Position	Signature	Date
Completed by	Anne-Marie O'Donnell	Audit Manager		25.08.2022
Signed off by	Huw Jones	Chief Finance Officer		25th August 2022