



GOVERNANCE AND AUDIT COMMITTEE – 14TH JUNE 2022

SUBJECT: INTERNAL AUDIT SERVICES: ANNUAL AUDIT PLAN 2022/23

REPORT BY: ACTING INTERNAL AUDIT SERVICES MANAGER

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1. PURPOSE OF REPORT

- 1.1 To seek Governance and Audit Committee approval of the Internal Audit Services Annual Audit Plan for the 2022/23 financial year.

2. SUMMARY

- 2.1 The Governance and Audit Committee is responsible for ensuring that risk and internal controls are adequately managed and monitored, and the work planned by Internal Audit will achieve the required levels of assurance.
- 2.2 The report provides details of the resources available and planned work programme for Internal Audit Services for 2022/23.

3. RECOMMENDATIONS

- 3.1 The Governance and Audit Committee is asked to approve the Internal Audit Services Annual Audit Plan for the 2022/23 financial year.

4. REASON FOR THE RECOMMENDATIONS

- 4.1 The work of Internal Audit Services provides assurance on the robustness of internal controls and the corporate governance arrangements operating within the Authority and identifies areas for improvement.
- 4.2 The Public Sector Internal Audit Standards (PSIAS) and the Council's Financial Regulations require that an annual plan is prepared to ensure that there is an effective and efficient use of audit resources, and those resources are directed to address areas of risk and to provide assurance for management as part of the Annual Governance Statement (AGS).

5. THE REPORT

- 5.1 The Internal Audit available staffing resources for the 2022/23 financial year is shown in the table overleaf. A minor staffing restructure has taken place and the resultant backfilling of

vacancies that arose during 2020/21 and 2021/21 has been substantially completed. There are currently 7 staff in post with one vacancy that has arisen as a result of the Assistant Manager undertaking the role of Acting Internal Audit Services Manager and one vacancy awaiting the new starter joining the team later in the month. In addition, an Audit Apprentice which was supernumerary was successfully appointed to a permanent position within the team during 2021/22.

- 5.2 The table below shows a forecast for the available man days for the year taking into account known staffing vacancies and an estimate for overheads or non productive time.

	Q1	Q2	Q3	Q4	Total for year
Overheads	89	119	118	119	445
Vacant posts	135	65	65	66	331
Available man days	347	388	388	387	1,510
Total	571	572	571	572	2,286

- 5.3 An allowance has been made for known overheads and unproductive time such as annual leave and bank holidays, study day release time and estimations made for other overheads such as sickness, leave of absence etc. In addition, time has also been allocated to mentoring and supervising newly appointed staff and developing their performance within the team.
- 5.4 There is an amount of the Internal Audit Manager's time that will need to be allocated to tasks such as supporting the Governance Panel, developing the Annual Governance Statement (AGS) and attending and reporting to Governance & Audit Committee. In 2022/23 additional time will be required for the Governance & Audit Committee as there will be a new committee in place together with an additional number of new Lay Members who will need support, training, and induction. That time has also been allocated to overheads.
- 5.5 There are a number of recurring regular audits relating to annual self-assessments of schools and other locations, together with grant certifications, and in 2022 the Council will be required to submit data to the National Fraud Initiative (NFI), with this being overseen by Internal Audit. Internal Audit Services also supports the role of Information Governance Steward for Corporate Finance. The days allocated to these specific areas are as follows: -

Audit work	Estimated Days
School SAQs	210
EIG grant	5
PDG grant	5
SP grant	5
NFI support	3
Information Governance	5
Total	233

- 5.6 The Acting Internal Audit Services Manager has requested that Directors, Heads of Service and CMT consult and identify any high-risk areas along with operational or strategic areas where they would like audits performed. A number of areas have been suggested for inclusion in the Audit Plan as shown in the table below: -

Audit work	Estimated Days
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Bed and Breakfast accommodation (Homelessness)	25
School Private Funds	15
Use of Purchase Cards in schools	30
Special Guardianship Orders	20
Social Services petty cash	15
Corporate Safeguarding	30
Blackwood Miners Institute	15
Supply chain issues	15
Cyber security	15
Cashless Strategy	30
NNDR Covid grant (c/f from 21/22)	10
NFI match investigations	30
Total	250

- 5.7 Other regularity work such as establishment visits are expected to recommence in 2022/23 after being suspended due to COVID-19. However, during the pandemic a new way of working was rolled out to all schools, where self-assessments were undertaken by the Headteachers. Feedback has been received from Education and this will be continued on an annual basis as this will also support the AGS process. The results of these audits will now be used to direct and inform targeted work where risks have been identified or further support may be needed, rather than rigidly sticking to a regular audit cycle.
- 5.8 The Internal Audit Team is exploring developing a similar self-assessment with other establishments such as Leisure Centres and Social Services. This would enable low risk routine operational processes to be assessed more regularly and would also allow audit resources to be concentrated on higher risk areas. There are a large number of these establishments that are overdue for routine audit due to COVID-19, so some catch up is required.
- 5.9 Unplanned and unscheduled work is also performed each year such as review of final accounts and contract compliance and the resource demand will vary depending not only on the number of these but the also the level of compliance with best practice and the council's Financial Regulations and Standing Orders within the contract process.
- 5.10 Other unplanned work may also arise for example participation in working groups, one-off audits, and investigations. There is one Police Investigation that is still ongoing, and some audit time will almost certainly be needed to support that process to completion of the prosecution.
- 5.11 Finance systems and processes are by their nature high risk, so an element of audit time is required to be allocated to the core financial systems e.g. Council Tax, NNDR, Purchase Ledger, and Payroll. Some areas such as Council Tax, NNDR and Housing Benefits have experienced significant resource demands arising from COVID-19 and there has been some backlog in audit coverage in these areas as a result of this. Specific audits will be agreed with the S151 Officer and Managers as demand and resources in those services stabilises.
- 5.12 A new anti-fraud strategy and a cyber-security strategy have been drafted and these are included separately on today's agenda. Financial and cyber fraud are considered to be significant risk issues and in order to embed these strategies effectively within the organisation resources will need to be allocated to the task.
- 5.13 Although no specific fraud staff are employed within the council, Internal Audit have traditionally undertaken this role. The Acting Internal Audit Manager has joined the Welsh Fraud Group and networking is being developed. Specific anti-fraud work was undertaken in 2021/22 such as COVID-19 grant data analytics, and this will be continued into 2022/23. NFI data matches should be released in February 2023 and audit staff have traditionally

undertaken a significant proportion of the match investigations. Resources required for this will depend on the volume and nature of the matches reported.

5.14 The Acting Internal Audit Manager has been working on the update of the Financial Regulations and this work is nearing completion but will extend into 2022/23. The finalised document will then be presented to Governance Panel and Governance and Audit Committee.

5.15 The Pentana MK Audit system allows all audit staff resources to be recorded plus an Audit Universe (list of all auditable areas). Work has been done on developing the reporting to Governance & Audit Committee in relation to tracking the outcomes of audits and associated recommendations and some further development of that reporting functionality is planned.

5.16 The Audit Universe also allows audits to be mapped to the Corporate Objectives and fundamental principles as can be shown in the image below. The Pentana MK system also holds a time recording system and this is now in use and will assist in future planning of audit resources.

5.17 Audit Universe



5.18 The Pentana MK system is also able to hold an Audit Risk Assessment using a number of risk factor values such as volume of transactions, complexity, materiality, prior audit results. and Reputational risk. This function is not currently in use, but plans are in place to populate this for the Audit Universe, and this will further inform the Audit Plan in future years. Some resource will be needed to develop this.

5.19 As in previous years it is impossible to finish all audit work by the 31st of March, so some audit

time will be needed to complete audit work incomplete at the year end and an allowance has been made for this in the plan.

Forecast audit plan

- 5.20 Based on the forecast staffing resources, the responses received to date and other estimates of resource demands the Audit plan can be forecast as detailed in the table below. It should be noted that any changes in available staffing such as sickness absences, unplanned training etc. will affect the forecast. However the plan can be flexed as needed.
- 5.21 It can be seen that there remains an unallocated balance of resource time. As explained above there is a full Audit Universe and it will be possible to identify audits from this so that resources are fully deployed. Furthermore, as new or emerging issues are identified audit resources can be diverted to these in a flexible manner to address such issues.

Current forecast plan

Description	Man days
Scheduled work as above (5.5)	233
HoS requests (5.6)	250
Schools' follow-up	70
Leisure	50
Social Services Establishments	50
Contracts	50
Pentana Mk Development	50
Audit Admin (recommendation tracking)	50
Anti-Fraud work	30
NFI	50
Core financial Audits	350
Completion of 21/22 audits	40
Financial Regulations	10
Investigation/prosecution support	40
Subtotal	1323
Contingency	187
Available man days 22/23 (5.2)	1510

Conclusion

- 5.22 The report provides details of the proposed Internal Audit Services Annual Audit Plan for the 2022/23 financial year for the Committee's consideration.
- 5.23 A mid-year progress report will be presented to the Governance & Audit Committee.

6. ASSUMPTIONS

- 6.1 Assumptions have been made regarding forecast staffing resources for the rest of the year.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 The Council will be unable to deliver its Well-being Objectives in the absence of effective corporate governance arrangements, which includes an effective resourced and directed Internal Audit Plan.
- 7.2 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met, in that a

prosperous Wales and a resilient Wales requires an effective Internal Audit Service to protect public funds.

7.3 There are no other equalities implications arising from this report in relation to other equalities issues.

8. FINANCIAL IMPLICATIONS

8.1 There are no direct financial implications arising from this report.

9. PERSONNEL IMPLICATIONS

9.1 There are no personnel implications arising from this report

10. CONSULTATIONS

10.1 Any comments received from consultees have been included within the report.

11. STATUTORY POWER

11.1 Local Government and Elections Act 2021

Author: D Gronow, Acting Internal Audit Manager

Consultees: C Harrhy Chief Executive
Corporate Management Team
Directorate Management Teams
S Harris, Head of Financial Services & S151 Officer