

<b>SUBJECT:</b>	<b>INTERNAL AUDIT Annual Report 2021/22</b>
<b>DIRECTORATE:</b>	<b>Resources</b>
<b>MEETING:</b>	<b>Governance and Audit Committee</b>
<b>DATE:</b>	<b>14<sup>th</sup> July 2022</b>
<b>DIVISION/WARDS AFFECTED: All</b>	

## 1. PURPOSE

To receive and consider the Annual Internal Audit Report for 2021/22.

## 2. RECOMMENDATION(S)

That the Governance and Audit Committee receive, comment on and endorse the Annual Report.

## 3. KEY ISSUES

- 3.1 The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion based upon and limited to the work performed on the overall adequacy and effectiveness of Monmouthshire County Council's framework of governance, risk management and internal control. This is achieved through a risk-based plan of work, agreed with management, which should provide a reasonable level of assurance. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 3.2 The audit opinions issued reflect the level of assurance obtained; these are shown at Appendix B. **20** audit opinions were issued during 2021/22 ranging from Substantial to Limited assurance (a total of 9 opinions were issued in 2020/21). The overall opinion was **Reasonable assurance**, which indicates *the systems were adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.*
- 3.3 **2 Limited assurance** opinions were issued.

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- 3.4 The work of Internal Audit was significantly impacted by Covid-19 pandemic during 2020/21 which resulted in less audit work being undertaken than originally planned. The team was heavily involved with counter fraud work in relation to business support grants from Welsh Government in relation to Covid-19 and supported the track, trace and prevent (TTP) process as previously reported to Members. The 2021/22 Audit opinion is partially reliant on previous work undertaken by the team where Reasonable Assurance opinions were issued; there have been no significant changes to the organisation's systems or key personnel and no major frauds were identified.
- 3.5 Internal Audit opinions on the work undertaken at the SRS by Torfaen Internal Audit team were also taken into consideration.
- 3.6 The Internal Audit team achieved 64% of the agreed 2021/22 audit plan against a target of 82% (57% in 2020/21). The achievement of the plan was affected by Covid-19 for reasons previously reported into Committee and unforeseen vacancies.

#### **4. REASONS**

- 4.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act.
- 4.2 Internal Audit is an independent function established by the management of Monmouthshire County Council to provide 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.
- 4.3 In line with the Public Sector Internal Auditing Standards (PSIAS), the Chief Internal Auditor should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment, governance arrangements and risk management processes. The Standards require an external review of Internal Audit to be completed at least every five years. At the latest review during 2017/18 the Internal Audit team was independently assessed against these Standards and were found to be compliant.
- 4.4 This is the Internal Audit Annual Report for 2021/22.

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**5. RESOURCE IMPLICATIONS**

None.

**6. CONSULTEES**

Deputy Chief Executive & S151 Officer

**7. BACKGROUND PAPERS**

Internal Audit Annual Report 2021/22 - attached  
Operational Internal Audit Plan 2021/22  
Strategic Internal Audit Plan  
Public Sector Internal Auditing Standards  
Shared Resource Service (SRS) – Internal Audit Annual Report  
2021/22 (Torfaen IA Team)

**8. AUTHOR AND CONTACT DETAILS**

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**INTERNAL AUDIT  
ANNUAL REPORT  
2021/22**

**YEAR ENDED 31st MARCH 2022**

**Date: June 2022**

## 1. Introduction

- 1.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act.
- 1.2 The Regulations state that the Responsible Finance Officer (S.151) of the organisation shall maintain an adequate and effective internal audit of the accounts of that organisation and its systems of internal control. Internal Audit undertakes this role on behalf of the S.151 Officer. Internal Audit is seen as an independent function established by the management of Monmouthshire County Council for the review of the internal control system as a service to the organisation. It enhances and protects organisational value by providing risk-based and objective assurance, advice and insight.
- 1.3 In line with the Public Sector Internal Auditing Standards, the Chief Internal Auditor should present a formal annual report to the Governance and Audit Committee which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment. The annual report should also:
- a. disclose any qualifications to that opinion, together with reasons for the qualification;
  - b. present a summary of the audit work undertaken to formulate the opinion;
  - c. draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the annual governance statement (to be reported separately);
  - d. compare the work actually undertaken with that planned and summarise the performance of the internal audit function against its performance measures and criteria; and
- 1.4 This report is the Annual Internal Audit Report which meets the requirements of the Standards. It provides the overall audit opinion for Members on the internal controls operating within the County Council and provides a summary of the work completed during the year, identifying key findings and outcomes from the work undertaken. It also outlines the performance of the Internal Audit team during the year against agreed pre-set targets.
- 1.5 The internal controls operating within the Council are of a complex nature, reflecting the organisational arrangements. Internal Audit plans its work to address the major risks that the Authority faces. That work

is not designed to check the work of others but to comment on the controls in place to protect the Council from loss of assets or inefficient operations, whatever the cause.

- 1.6 The objectives of the Section for the year were: -
- (a) To deliver an internal audit service in accordance with the Public Sector Internal Auditing Standards and meeting statutory requirements;
  - (b) To undertake risk-based assessments of the Authority's internal control environment and hence contribute to the Annual Governance Statement;
  - (c) To maintain and enhance the audit involvement in all areas as an aid to good financial stewardship.

## **2. Audit Opinion**

- 2.1 In 2021/22, based on the planned work undertaken during the year, overall, the systems and procedures in place were adequately controlled, although risks were identified which could compromise the overall control environment; improvements are required. The opinion definitions are noted at Appendix A.
- 2.2 The overall audit opinion for the internal controls operating within the Council in 2021/22 was **Reasonable assurance**:

The Internal Audit team has completed its internal audit work for the year based upon the Operational Audit Plan approved by the Audit Committee in July 2021. The Plan was designed to ensure adequate coverage over the Council's financial and operational systems using a risk based assessment methodology.

The audit work included reviews, on a sample basis, of each of these systems/establishments sufficient to discharge the Authority's responsibilities for Internal Audit under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. Work was planned in order to provide sufficient evidence to give me reasonable assurance of the internal control environments tested.

As the planned work of Internal Audit was impacted by Covid-19 pandemic during 2020/21, the 2021/22 Audit opinion is partially reliant on previous work undertaken by the team where Reasonable Assurance opinions were issued; there have been no significant changes to the organisation's systems or key personnel and no major frauds were identified.

Internal Audit opinions on the work undertaken at the SRS by Torfaen Internal Audit team were also taken into consideration.

Based on the planned work undertaken during the year, in my view the internal controls in operation give **Reasonable Assurance**; *Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.*

The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Andrew Wathan  
Chief Internal Auditor  
May 2022

- 2.3 On undertaking audit reviews in accordance with the Annual Audit Plan, an opinion is given on how well the internal controls of the system or establishment are operating. Internal audit reports provide a balanced view of the controls in place. The opinion is determined by the number of strengths and weaknesses identified during the course of the review and the risk rating and priority given to each. Each audit review undergoes a comprehensive review process by the Audit Manager and occasionally the Chief Internal Auditor before the draft report is sent out to management. The controls are generally measured against a predetermined matrix of expected internal controls for each system; for fundamental systems these are usually derived from CIPFA.

2.4 The overall opinion has been compiled from individual audit reviews undertaken during the year [see Appendix B] and consideration of the previous years' Internal Audit opinion:

Audit Opinion	2019/20	%	2020/21	%	2021/22	%
Substantial	2	7	2	22	5	25
Considerable	11	38	6	67	6	30
Reasonable	7	24	1	11	7	35
Limited	9	31	0	0	2	10
	29	100	9	100	20	100

<b>Overall Opinion</b>	<b>Reasonable</b>	<b>Reasonable</b>	<b>Reasonable</b>
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2.5 Internal Audit opinions on the work undertaken at the SRS by Torfaen Internal Audit team were also taken into consideration (Appendix D). SRS are the Council's IT providers, so assurances have been provided on the adequacy of controls in place within that organisation to demonstrate effective governance, risk management and internal control processes.

2.6 Extract from the Annual Internal Audit Report 2021/22 of the Shared Resource Centre (Torfaen Internal Audit Team) - "The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control. Overall Opinion is **Generally Satisfactory; some improvement required:**

- Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control; and/or
- High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes; and
- None of the individual assignment reports have an overall classification of critical risk.

2.7 Managers within directorates need to ensure that robust internal controls are in place and adhered to in order to ensure that the systems in operation run efficiently and effectively and the scope for misappropriation, theft or error is minimised. Heads of Service have a responsibility to ensure that the Council's Financial Procedure Rules and Contract Procedure Rules are complied with at an operational level. Staff should be made aware of these and the requirements therein and the consequences of non-compliance.



### **3. Extent of Coverage**

- 3.1 2020/21 was an exceptional year which significantly impacted on the work of the Internal Audit team and how it would normally provide the appropriate levels of assurance. Normal audit work could not be undertaken due to the Covid-19 pandemic and many of the audit jobs included within the original audit plan have been carried forward into 2021/22. As reported to Committee in year, for the first 6 months of 2020/21 the team was extensively involved with counter fraud work in relation to the business support grants provided by Welsh Government and then it was stood down for a period to support the TTP process. In addition one of the team was seconded out to manage the distribution of the many business grant schemes.
- 3.2 The impact of the pandemic continued into 2021/22 as many of the establishments due to be audited maintained restricted access resulting in less audits undertaken than planned. The Internal Team's resources were also reduced as the Auditor remained on secondment and the Audit Manager left the organisation.
- 3.3 As a result of the limited work undertaken in 2020/21, the Chief Internal Auditor has taken into consideration the audit opinion work issued in previous years as there have been no significant changes in systems or personnel in key positions and no major frauds have been uncovered.
- 3.4 Overall, whilst not all planned audits were carried out, the actual number achieved is considered acceptable in view of the relative risk and priorities of other audit needs. The IA plan was agreed by the Governance and Audit Committee in July 2021. Planned audit work not undertaken during the year is shown at Appendix E, with an indication of those audit jobs carried forward to 2022/23.

### **4. Audit Coverage**

- 4.1 The full list of audit reviews completed by the Section during the year is shown in the attached Appendix B, together with the relevant internal control opinion issued for each audit.
- 4.2 Control opinions range from Substantial to Limited assurance in accordance with the definitions shown in Appendix A.
- 4.3 Audit reviews concluding with a control opinion of Limited assurance are routinely reported (in summary form) to the Governance and Audit

Committee. For 2021/22, 2 **Limited assurance** opinions were issued; details as to why only Limited assurance could be given are shown at Appendix C:

- Concessionary Travel
- Fleet – Health & Safety / Driver Management

- 4.4 The added value, non-opinion work undertaken by Internal Audit is shown at Appendix F; this is mainly financial advice and monitoring the implementation of the agreed recommendations along with the completion of the Annual Governance Statement.
- 4.5 The Annual Internal Audit report for the SRS showed that 10 internal audit reviews (7 systems, 3 follow ups,) were completed in year. This resulted in the identification of 23 findings (14 medium, and 9 low) to improve weaknesses in the design of controls and/or operating effectiveness. All final reports have agreed action plans, dates and responsible officers for improving the internal control environment. The audit reviews undertaken are shown at Appendix D.
- 4.6 The report format for MCC simplifies the outcome of the audit process and gives operational managers a clear indication of the audit opinion following the audit review. The audit opinions provide a level of assurance and are colour coded in line with the traffic light system (Appendix A).

## **5. Non-Audit Duties**

- 5.1 The team now has a minimal involvement with controlled stationery, although still administers the imprest account process.

## **6. Fraud, Irregularity and Special Work/Investigations**

- 6.1 During the previous year the Team undertook extensive work on counter fraud in relation to the Welsh Government business support grants schemes.
- 6.2 Although no major frauds were identified during the year in relation to Monmouthshire's normal business operations, a number of frauds were identified by Internal Audit in relation to the Welsh Government business support grants schemes during 2020/21. These were reported to the police, Action Fraud and the Council's bank where appropriate. The value of the frauds was not material when compared to the total value of grants paid out on behalf of Welsh Government. The Council recovered 25% of the frauds which were identified.

## **7. Training**

- 7.1 During the year a number of staff attended external courses / webinars on a variety of topics to ensure continued professional development.
- 7.2 The Section also participates in a number of local audit groups including the Welsh Chief Auditors' Group and respective sub groups.
- 7.3 Management fully support the development and training of the audit staff and will continue to send staff to appropriate seminars/courses etc., to maintain an awareness of technical and legislative developments and to support user groups within the area in order to provide a more effective service. This will be beneficial on a personal and professional level.

## **8. Audit Team Performance**

- 8.1 To ensure a quality Internal Audit service is provided, the Section uses a range of performance indicators which it compares with other Welsh authorities via the Welsh Chief Auditors' Group.
- 8.2 As shown at Appendix G, 64% of the agreed plan was completed against a target of 82%, as explained above, due to the impact of Covid-19 and vacancies. To some extent, operational managers were still re-prioritising their work to deal with the pandemic which meant they were not always available to respond to internal audit queries.
- 8.3 Excluding finalisation work from 2020/21, 81 audit jobs were included in the audit plan for 2021/22; 52 jobs were completed to at least draft report stage. [Not all jobs in the plan would warrant an audit opinion eg audit advice, Annual Governance Statement, external work, grant claims].
- 8.4 As a measure of the quality of the work produced, the Team was able to report that 99% of its recommendations were accepted by the service managers. [This does not take into account reports that were in draft at year end]. The percentage of previously agreed recommendations which had been implemented or partially implemented will be reported later in the year.
- 8.5 Getting audit reports out to clients in a timely manner is a key aspect of maintaining relationships and ensuring control weakness are addressed at an early stage. As a result of the Team being re-purposed for the majority of the year, getting reports out to operational managers was not always timely, although there has been a significant improvement on previous years:
  - a. Final reports were sent out 5 days following receipt of management comments, against a target of 5 days.

- b. Draft reports were sent out to clients 6 days after the completion of the audit work against a target of 17 days.
- 8.6 Of the audit evaluation questionnaires which were returned by operational managers, 100% were 'satisfied' or 'very satisfied' with the audit service they had received although it is recognised that timeliness of reporting needs to improve.

## **9. Conclusions**

- 9.1 It is considered that, over the course of the financial year, the objectives of the Team (as stated in paragraph 1.6) have been met.
- 9.2 The reporting procedures for all areas of the Team are now well established. Working practices are updated as a matter of course to underpin the quality of work undertaken. Team meetings are held on a regular basis to ensure all staff are kept aware of new developments and management can monitor progress of work against the plan.
- 9.3 The Team's management maintained a continuous review process throughout the year to ensure, where possible, that the highest risk areas were targeted and the Operational Plan for 2022/23 was also designed to ensure that any priority areas outstanding would be covered in the next financial year.
- 9.4 The objective of the Internal Audit Team is to provide assurance to Management and Members of the adequacy of the internal control environment, governance arrangements and risk management processes within Monmouthshire. Reduced audit staff resources leads to less coverage across the services provided by the Council which limits the assurance that can be given. In addition the team becomes less flexible in its ability to undertake special investigations in response to allegations of fraud, theft or non compliance.
- 9.5 The Chief Internal Auditor will have to monitor the situation closely and use a range of options to ensure appropriate audit coverage is provided. Although demands on the resources are increasing, the Chief Internal Auditor is confident that adequate and appropriate coverage will be provided throughout the Council; prioritisation may be required.
- 9.6 Finally, the support of all audit staff as well as senior management must be acknowledged in helping to continue to provide a comprehensive and valuable service to the Authority.

## Definitions of Internal Audit Opinions Used

LEVEL OF ASSURANCE	DESCRIPTION
<b>SUBSTANTIAL</b>	<p>Substantial level of assurance.</p> <p>Very well controlled, with numerous strengths identified and any risks being less significant in nature.</p>
<b>CONSIDERABLE</b>	<p>Considerable level of assurance.</p> <p>Generally, well controlled, although some risks identified which should be addressed.</p>
<b>REASONABLE</b>	<p>Reasonable level of assurance.</p> <p>Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.</p>
<b>LIMITED</b>	<p>Limited level of assurance.</p> <p>Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.</p>

## Audit Opinions

<b>Overall Opinion</b>	<b>2021/22</b>	<b>Reasonable</b>
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## Summary

Substantial	5
Considerable	6
Reasonable	7
Limited	2
Total Opinions	20
Unqualified	3
Qualified	0

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final as at 31-3-22	Opinion given
P2122/36	Enterprise	Placemaking, Housing, Highways & Flood	Local Development Plan	Medium	Final	Substantial
P2122/57	Resources	Finance	Benefits	High	Final	Substantial
P2122/58	Resources	Finance	Budgetary Control (Revenue)	High	Draft	Substantial
P2122/59	Resources	Finance	Control, Suspense & Holding Accounts	Medium	Final	Substantial
P2122/60	Resources	Finance	Fixed Assets	Medium	Draft	Substantial
P2122/04	Children & Young People	Achievement & Extended Services	Early Years	Medium	Draft	Considerable
P2122/25	Corporate	Cross Cutting	National Fraud Initiative	High	Final	Considerable
P2122/33	Enterprise	Neighbourhood Services	Stores	Medium	Final	Considerable
P2122/35	Enterprise	Placemaking, Housing, Highways & Flood	Civil Enforcement	Medium	Final	Considerable
P2122/45	Mon Life	Mon Life	Shire Hall Follow-up	Medium	Final	Considerable
P2122/62	Resources	Finance	Replacement BACS system	High	Draft	Considerable

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final as at 31-3-22	Opinion given
P2122/20	Corporate	Cross Cutting	Agency Staff	High	Draft	Reasonable
P2122/23	Corporate	Cross Cutting	Compliance with the Bribery Act	Medium	Final	Reasonable
P2122/30	Enterprise	Enterprise & Community Animation	Rural Programmes	Medium	Final	Reasonable
P2122/69	Social Care & Health	Integrated Services	Direct Payments Follow Up	Medium	Draft	Reasonable
P2122/71	Social Care & Health	Integrated Services	Internal Domiciliary Care	Medium	Draft	Reasonable
P2122/80	Resources	Commercial, Property, Facilities & Fleet	Investments	High	Final	Reasonable
P2122/81	Enterprise	Enterprise & Community Animation	Disabled Facilities Grants	Medium	Final	Reasonable
P2122/40	Enterprise	Strategic Projects	Concessionary Travel	Medium	Draft	Limited
P2122/50	Resources	Commercial, Property, Facilities & Fleet	Fleet - Health & Safety and Driver Management	Medium	Final	Limited
P2122/06	Children & Young People	Achievement & Extended Services	Pupil Development Grant	Low	Final	Unqualified
P2122/07	Children & Young People	Achievement & Extended Services	School Improvement Grant	Low	Final	Unqualified
P2122/28	Enterprise	Enterprise & Community Animation	Housing Support Grant	Medium	Final	Unqualified

**Unqualified** – the terms and conditions of the grant were complied with  
**Qualified** - the terms and conditions of the grant were not complied with

**2021/22 Limited Assurance IA opinions**

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final as at 31-3-22	Opinion given
P2122/40	Enterprise	Strategic Projects	Concessionary Travel	Medium	Draft	Limited
P2122/50	Resources	Commercial, Property, Facilities & Fleet	Fleet - Health & Safety and Driver Management	Medium	Final	Limited

**Concessionary Travel**

RATING	RISK DESCRIPTION	IMPACT	TOTAL IDENTIFIED DURING REVIEW
1	Significant	(Significant) – Major / unacceptable risk identified. Risks exist which could impact on the key business objectives. Immediate action required to address risks.	2
2	Moderate	(Important) – Risk identified that requires attention. Risks identified which are not business critical but which require management attention as soon as possible.	8
3	Minor	(Minimal) – Low risk partially mitigated but should still be addressed. Audit comments highlight a suggestion or idea that management may want to consider.	6
4	Strength	(No risk) – Good operational practices confirmed. Well controlled processes delivering a sound internal control framework.	10



No.	Audit Ref.	Issue & Risk	Recommendation
1	3.8b	<p>Hardship payments totalling over £46k had been claimed from Welsh Government which had not been invoiced for by the operators or paid over to them.</p> <p><b><i>Risk – Operators are not provided with support that they are entitled to, which potentially could cause them financial difficulties. Reputational damage to the Authority.</i></b></p>	<p>The hardship payments that have not been invoiced for by the operators should be investigated and either paid to operators or monies returned to Welsh Government.</p> <p>Any future hardship payments should not be claimed until an invoice has been received from the relevant operator and payments has been made to them.</p> <p><b><i>Management Response:</i></b>  <b><i>This we don't believe to be a significant risk as you are aware the grant is managed quarterly and then annually, this came at the end of the financial year and was accrued and has been paid back in Quarter 4 this year after the operator confirmed they wouldn't sign BES 2 which meant they were not able to claim the hardship element of the funding.</i></b></p> <p><b><i>This process has been managed through , we knew the figures and how to deal with this at every stage , it may have been done quicker had the operator responded quicker to us but at no point was there a risk to the operator , Monmouthshire CC or to Welsh Government.</i></b></p> <p><b><i>We have to claim these figures quarterly and as we were waiting confirmation from the operator then we needed to add into the claim and accrue our side until it was resolved but it has been completely managed and all figures were known to us.</i></b></p> <p><b><i>The hardship element is something that has only been in place since the pandemic and will not be there until July 22 when BES2 ends and numbers go back to actuals.</i></b></p>

No.	Audit Ref.	Issue & Risk	Recommendation
2	4.3	<p>Quarterly Claims forms have been submitted late and without the necessary approval of the section 151 officer.</p> <p>All claims had been sent directly to Welsh Government and there had been no independent verification of the claims prior to submission.</p> <p><b><i>Risk - Potential that error or fraud may not be detected. Authority's accounts may not accurately reflect the grant transactions. Terms and conditions of the grant sign-off not adhered to. Grant monies could be withheld. Breach of the Authority's Internal Grant Protocol.</i></b></p>	<p>All grant claims should be processed in accordance with the requirements of the Authority's Internal Grant Protocol. These should be submitted prior to the deadline, with specific time built in to allow the appropriate review and sign off by the necessary parties.</p> <p>In particular, claim forms should only be submitted in the name of the section 151 Officer when confirmation has been received of the completion of the necessary checks by the Finance Department.</p> <p>Where claims need to be submitted prior to review by Finance and then sign-off, then Welsh Government should be clearly informed that the claim is in draft only and is subject to review.</p> <p><b><i>Management Response:</i></b>  <b><i>This is a position we find ourselves in with all authorities as it is impossible to get the grant claim in by the 20<sup>th</sup> of the following month at the end of each quarter and signed off by finance as the invoices take much longer to go through our systems , we struggle to get just the information through from operators by this time , it has been flagged with Welsh Government and we have agreed that the return goes in unsigned first and then once reconciled by finance and signed by the 151 officer a signed copy can be sent. This process was introduced by WAO a number of years ago as it was previously only the annual return that needed a 151 officer to sign off but they didn't understand the issues that it has caused in getting a return to WG in time for them to reserve the money in their budgets.</i></b></p> <p><b><i>The quarterly returns were only signed by a Head of service or Manager</i></b></p>

No.	Audit Ref.	Issue & Risk	Recommendation
			<p><i>originally.</i></p> <p><i>We acknowledge that we need to work on the bus operators to provide us with timely returns but some corporate operators have central payment systems so by the time they get from the ticket machines to the operator are checked and sent to us the invoice usually takes about another 30/45 days to come from Stockport where they deal with the whole company accounts to us and get through our own payments system.</i></p> <p><i>We also acknowledge that we need more resource to enable us to deal with these claims in a more timely manner. This process has been managed by the LA's and WG for a number of years and hasn't seen any payment issues to date so we don't agree it is a significant issue as it is again a managed process which is acknowledged by WG.</i></p> <p><b>Audit Comment:</b></p> <p><i>Welsh Government are the funding organisation which has set the deadlines for submission of claim forms. These deadlines therefore need to be met.</i></p> <p><i>A requirement of the Welsh Government process is for claims to be correctly authorised pre submission. Therefore, all claims must be signed by Section 151 Officer before submission.</i></p>

No.	Audit Ref.	Issue & Risk	Recommendation
3	1.1	<p>The Grant terms and conditions letter was not received by the grant administrator and Finance until halfway through the grant period.</p> <p>Formal acceptance of the grant had not been sent within the 21 day deadline as required.</p> <p><b>Risk -</b>  <i>Any changes in terms and conditions of grant may not be identified. Risk of losing funding at cost to the Authority or impacting the operators.</i></p>	<p>The Grant Administrator should ensure that a formal grant offer letter has been received at the start of each financial year.</p> <p>The Grant Administrator should ensure that formal acceptance of the grant offer has been submitted within the required timeframe and by the end of the first quarter and should retain a copy of the signed acceptance returned.</p> <p><b>Management Response:</b>  <i>This again has been an inherent problem as it is not something, we can control these letters come from Welsh Government have to go through their processes and we never receive them on time. They are sent to the Chief Executive and if they are not passed onto us in a timely manner then we can't get them signed and sent back. It is something we are chasing all the time from the Welsh Government but I have asked that they let me know when the letters are released so I can then chase it from our end if we don't receive it within a few days.</i></p> <p><i>Don't agree about the changes to terms and conditions as we have to give operators 4 months notice of any change once notified by WG and they are aware of this.</i></p> <p><b>Audit Comment:</b>  <i>As the Administrator of this annual grant, it would be good practice for Transport Unit (MCC) to chase the Grant Award letter if it has not been received early in the financial year.</i></p>

No.	Audit Ref.	Issue & Risk	Recommendation
4	1.2	<p>There were no specific internal guidance documents and procedures to ensure that the Scheme was administrated in line with Welsh Government expectations, particularly should the Passenger Transport Publicity &amp; Infrastructure Officer be absent or unavailable.</p> <p><b><i>Risk - Failure to deliver the role as the grant administrator. Operator grants or reclaims not made or made incorrectly.</i></b></p>	<p>Documentation of the administrative processes should be undertaken to meet the requirements placed on the Authority through the Concessionary Travel Scheme and to provide contingency in the event of the Passenger Transport Publicity &amp; Infrastructure Officer's absence.</p> <p><b>Management response :</b>  <b>Agree that we should document the process so it can be picked up by others if necessary</b></p>
5	2.1	<p>Some operators were submitting claims which had not been supported with Smart Card data to substantiate more than 98% of their claim.</p> <p><b><i>Risk - Claims may not be accurate, as a result of error, fraud or malpractice.</i></b></p> <p><b><i>The Authority cannot adequately evidence the journeys that it is paying and claiming reimbursement for. Claims could be reduced or reclaimed by Welsh Government.</i></b></p>	<p>Operators should be encouraged to provide Smartcard data which supports at least 98% of their claim, where this has not been done then a suitable explanation should be required from operators.</p> <p>If a satisfactory explanation has not been provided the Authority may want to consider an appropriate course of action.</p> <p><b>Management Response:</b>  <b><i>This cannot be done for operators who are based in England as the machines are not compatible.</i></b></p> <p><b><i>The Newport Bus and Monmouthshire Bus should not be a problem moving forward as they are now using Ticketer machines. The issues arose as they were changing between Wayfarer ticket machines and moving over to</i></b></p>

No.	Audit Ref.	Issue & Risk	Recommendation
			<i>Ticketeer for Newport where the old machines were not registering for Newport Bus and Monmouthshire Bus was a training issue with drivers which has now been resolved.</i>
6	2.2	<p>Dates for submission of claims from operators have not been set, resulting in these being regularly received late.</p> <p><b>Risk - Insufficient time allowed for administrative checks of operators returns prior to Welsh Government deadlines.</b></p> <p><b>Late submission of claims to Welsh Government. Delays in receiving payments from Welsh Government.</b></p>	<p>Deadlines should be agreed with the operators so that claims data can be provided to the Authority in sufficient time to allow the necessary checks and sign-off internally before submission of the Authority's quarterly claims to Welsh Government.</p> <p><b>Management Response:</b> This has been explained in an earlier risk and the whole process and submission dates need looking at as they are set by WG.</p> <p>We can look at setting a submission date from operators but we really need at least a week before the submission date and although some operators are good at getting claims in we need to concentrate on those that don't.</p> <p>The biggest issue is if we don't get the numbers on each claim it makes the following claim more difficult as well.</p>
7	2.5	<p>Monthly reports are available to help identify potential fraudulent behaviour however these are unable to be used at present.</p> <p><b>Risk - Fraudulent activity may go undetected. The Authority may</b></p>	<p>The issue with accessing the analytical reports should be resolved as a matter of urgency and the reports utilised to identify any potential fraudulent activity. Outstanding reviews of previous months' data should also be carried out.</p> <p><b>Management Response:</b> <i>This is a recent problem since ACT changed their data systems and amalgamated with Fujitsu they are now not compatible with our own</i></p>

No.	Audit Ref.	Issue & Risk	Recommendation
		<i>suffer financial loss and reputational damage.</i>	<i>systems. Both SRS and Fujitsu were contacted regarding the problem, we hope to find a solution ASAP.</i>
8	2.6	<p>The Authority does not have a programme in place for inspectors to board vehicles which are used to carry concessionary passenger for spot checks on processes and the number of passengers carried.</p> <p><b>Risk - Operators could potentially be manipulating the data, exaggerating the numbers of journeys taken to increase their income at a cost to the Authority/Welsh Government.</b></p>	<p>The Authority should establish a random programme to carry out inspections on vehicles which are used to carry concessionary passengers.</p> <p><b>Management Response:</b>  <b>This has had to be postponed due to COVID we were not allowed to access buses and check tickets or passes over the past two years, we also have a capacity issue in that this is something we cannot do as regular as we would like</b></p> <p>Although we have done it prior to Covid and we will see if we can begin the process again now restrictions are lifted although with only one resource available we will need to identify further resources to ensure we can do this regularly.</p>
9	3.8a	<p>Minor errors were identified in two of the historic figures used within the 2021/22 Quarter 1 BES2 calculations.</p> <p><b>Risk - Incorrect payments made. Impacts on public purse and the operators' revenues.</b></p>	<p>Bus Emergency Scheme payments should be revisited to ensure that the figures used were accurate, where errors have been identified then the operator should be notified and the next claim adjusted appropriately.</p> <p><b>Management Response:</b>  <b>Agree. This should have been picked up by us or by finance, we will ensure we get the invoices double checked in future. This error has been rectified.</b></p>

No.	Audit Ref.	Issue & Risk	Recommendation
10	4.4	<p>Overall claim balances relating to the first two quarters of 2020/21 had not been settled or recorded in the financial ledger system.</p> <p><b>Risk - Financial loss to the Authority or incorrect financial accounts.</b></p>	<p>The reimbursement from Welsh Government from the first two quarters for the 2020/21 financial year should be investigated and corrective action taken to settle the outstanding amounts.</p> <p><b>Management Response:</b>  <i>This has been managed through the Covid period where interim payments have been made to the authorities and outstanding monies paid at year end or paid back whichever is the case this is something we have managed which has helped with LA cash flows during the pandemic.</i></p>



## Fleet - Health & Safety and Driver Management

RATING	RISK DESCRIPTION	IMPACT	TOTAL IDENTIFIED DURING REVIEW
1	Significant	(Significant) – Major / unacceptable risk identified. Risks exist which could impact on the key business objectives. Immediate action required to address risks.	4
2	Moderate	(Important) – Risk identified that requires attention. Risks identified which are not business critical, but which require management attention as soon as possible.	3
3	Minor	(Minimal) – Low risk partially mitigated but should still be addressed. Audit comments highlight a suggestion or idea that management may want to consider.	3
4	Strength	(No risk) – Good operational practices confirmed. Well controlled processes delivering a sound internal control framework.	7

No.	Audit Ref.	Issue & Risk	Recommendation
1	1.1	<p>There was no central management of the Health and Safety of Fleet and Driver Management within the Authority.</p> <p><i>Risk – inconsistency in driver and vehicle management.</i></p>	<p>MCC should work towards centralising the management of Health and Safety and driver management.</p> <p><b>Management Response:</b></p> <p><i>Whilst we agree that, the central management of fleet would be beneficial. We do not accept this as a failing against the fleet team. Currently the management of fleet and their staff is devolved. Whilst we are working towards a process of centralising the service, this is not yet in place and therefore we cannot be held accountable for the practices of service areas. We do however accept that there should be a suite of policies to support driver behaviour and fleet management and these are being prepared.</i></p> <p><i>Being able to implement central management of fleet is dependent upon potential restructure and additional posts in the department.</i></p>
2	1.2	<p>Lack of Policies and Procedures in place to manage Fleet use.</p> <p><i>Risk - Staff unaware of roles and responsibilities. Expectations not clearly communicated to staff.</i></p>	<p>A suite of Health and Safety Policies for fleet should be developed to guide drivers and managers. Namely, a Driving at Work policy and an updated Drug and Alcohol Policy including a testing protocol.</p> <p>A Driver's Handbook should be developed which could hold all information and policies together. This could be in physical or digital form.</p>

No.	Audit Ref.	Issue & Risk	Recommendation
			<p><b>Management Response: The creation of a drug and alcohol policy is owned by the Corporate Health &amp; Safety Group and we are happy to support this work.</b></p>
3	3.1	<p>Training documentation was incomplete</p> <p><b>Risk – Staff are not appropriately trained to undertake their role.</b></p>	<p>A training policy should be developed in line with HSE guidance.</p> <p>Departments should ensure that a training matrix is in place for each role and that regular training is provided.</p> <p>Training records should be maintained and reviewed to ensure that training due to expire is highlighted and provided.</p> <p>An appropriate training programme or delivery solutions should be identified and implemented to ensure drivers are able to access the training required and do so on a timely basis.</p> <p><b>Management Response:</b></p> <p><b>As highlighted above we will put the policies in place, however services also hold responsibility for the implementation of these policies until such time responsibility for fleet is centralised.</b></p>
4	5.1	<p>There was no Accident Policy or formal guideline in place. Accident records were incomplete and there was no central, comprehensive list of accidents.</p>	<p>A Policy should be developed which informs drivers and managers what to do in case of an accident.</p> <p>This should include guidance on such areas as:</p>

No.	Audit Ref.	Issue & Risk	Recommendation
		<p><i>Risk - Staff unaware of roles and responsibilities. Expectations not clearly communicated to staff</i></p> <p><b><i>Accident information not collated in a timely manner.</i></b></p> <p><b><i>Inability to fully assess extent of accidents.</i></b></p> <p><b><i>Inability to fully assess data.</i></b></p>	<ul style="list-style-type: none"> <li>• how and when to investigate;</li> <li>• the need for an accident form and witness statements to be collected ASAP;</li> <li>• repercussions of not reporting an accident; and</li> <li>• disciplinary processes</li> </ul> <p>The document should also cover how managers can highlight training needs identified throughout the investigation process.</p> <p>Consideration should also be given to making the accident reporting process electronic.</p> <p><b><i>Management Response:</i></b></p> <p><b><i>Not accepted that the Failure rests with the Transport Team – the current process is that the management of accidents is administered by the Insurance Team whose instructions result in accidents being reported directly to the insurance company with no notification to central fleet.</i></b></p> <p><b><i>We support a change to this process so that all accidents are reported via the Transport Team who can then collate information, monitor driver behaviour and take appropriate action where necessary.</i></b></p>
5	4.1	<p>The reason for vehicle trackers and information usage was not clearly defined and documented.</p> <p><b><i>Risk - Staff treated inconsistently.</i></b></p>	<p>A document should be developed informing Managers when vehicle tracker information can be accessed and what the data can be used for.</p> <p>This must be agreed with all necessary parties including Unions.</p>

No.	Audit Ref.	Issue & Risk	Recommendation
		<p><b>Impact of Health and safety of fleet drivers</b></p> <p><b>Unsuccessful disciplinary action.</b></p>	<p><b>Management Response:</b></p> <p><b>Agreed</b></p>
6	4.2	<p>Quartix (vehicle tracker) user list was not regularly reviewed.</p> <p><b>Risk - Inappropriate users access potentially sensitive data</b></p>	<p>Quartix should be contacted to remove inappropriate users.</p> <p>In future, a list of all users should be requested and reviewed on a 6 monthly basis to ensure that all users are current staff members.</p> <p>Options of including tracking system access on leaver forms should be explored.</p> <p><b>Management Response:</b></p> <p><b>Agreed. Will work with People Services to ensure that we are being notified of leavers</b></p>
7	4.2	<p>There was no formal policy stance on staff speeding in MCC vehicles.</p> <p><i>Risk - Staff unaware of roles and responsibilities. Expectations not clearly communicated to staff. Damage to vehicles, staff or public as a result an accident caused by speeding.</i></p>	<p>MCC should establish a stance on speeding whilst using an Authority vehicle and when travelling on work business.</p> <p>A policy should be introduced to inform staff and managers on MCCs stance on speeding. This should state how and when tracker information could be accessed and what repercussions could be faced for speeding.</p> <p>This should be circulated to all staff and Managers.</p> <p><b>Management Response:</b></p> <p><b>Agreed, this will form part of the driver handbook and supporting policies</b></p>

No.	Audit Ref.	Issue & Risk	Recommendation

*Extract from SRS Annual Internal Audit Report 2021/22*

Ref	Review	Opinion
SRS – 21001	<b>EdTech (System)</b>	N/A
SRS – 21002	<b>Business Management (Follow Up)</b>	Opinion level increased from SUBSTANTIAL to FULL.
SRS - 21003	<b>Data Centre (Follow Up)</b>	Opinion remained FULL
SRS - 21004	<b>IT Governance (System)</b>	FULL
SRS - 21005	<b>IT Service Continuity (System)</b>	FULL
SRS - 21006	<b>Application Integration Service (System)</b>	SUBSTANTIAL
SRS - 21007	<b>Identity &amp; Access Management (System)</b>	SUBSTANTIAL
SRS – 21008	<b>IT Disposals (Follow Up)</b>	MODERATE
SRS – 21009	<b>Mobile Computing (System)</b>	SUBSTANTIAL
SRS – 21010	<b>Performance Management (System)</b>	SUBSTANTIAL

## Appendix E

### 2021/22 Planned jobs not undertaken

Job number	Directorate	Service	Job Name	Included in 2022/23 IA Plan
P2122/10	Children & Young People	Schools	Archbishop Rowan Williams CiW Primary	N
P2122/12	Children & Young People	Schools	Castle Park Primary Follow Up	N
P2122/13	Children & Young People	Schools	Dewstow Primary	Y
P2122/14	Children & Young People	Schools	Durand Primary	N
P2122/15	Children & Young People	Schools	King Henry VIII School	Y
P2122/16	Children & Young People	Schools	Llandogo Primary School Follow-up	N
P2122/17	Children & Young People	Schools	Llanvihangel Crucorney Primary	Y
P2122/19	Children & Young People	Schools	Rogiet Primary	N
P2122/26	Enterprise	Achievement & Extended Services	Food Procurement Follow Up	Y
P2122/39	Enterprise	Strategic Projects	Caldicot Town Centre Regeneration	Y
P2122/42	Mon Life	Mon Life	Caldicot Castle Follow-up	Y
P2122/44	Mon Life	Mon Life	Old Station Tintern Follow-up	N
P2122/51	Resources	Commercial, Property, Facilities & Fleet	H&S Authority's Buildings Follow Up	Y
P2122/53	Resources	Commercial, Property, Facilities & Fleet	PTU Vehicle Maintenance Follow Up	Y
P2122/55	Resources	Digital	Replacement Telephony System	N
P2122/68	Social Care & Health	Integrated Services	Carers Service	Y
P2122/70	Social Care & Health	Integrated Services	Fostering	Y
P2122/72	Social Care & Health	Integrated Services	Respite Care	N
P2122/75	Social Care & Health	Public Protection	Track, Trace and Protect Team	N
P2122/79	Social Care & Health	Transformation	New WCCIS system	N



## Appendix F

### Non opinion related audit work 2021/22 Internal Audit Added Value

Job number	Directorate	Service	Job Name
P2122/01	Chief Executive's	Policy, Performance & Scrutiny	Audit Advice
P2122/02	Children & Young People	21st Century Schools	Audit Advice
P2122/03	Children & Young People	Achievement & Extended Services	Audit Advice
P2122/05	Children & Young People	Achievement & Extended Services	Monitoring Implementation of Audit Recommendations
P2122/08	Children & Young People	CYP Resources	Audit Advice
P2122/09	Children & Young People	CYP Resources	Monitoring Implementation of Audit Recommendations
P2122/11	Children & Young People	Schools	Audit Advice
P2122/18	Children & Young People	Schools	Monitoring Implementation of Audit Recommendations
P2122/21	Corporate	Cross Cutting	Annual Governance Statement
P2122/22	Corporate	Cross Cutting	Audit Advice
P2122/24	Corporate	Cross Cutting	Monitoring Implementation of Audit Recommendations
P2122/27	Enterprise	Enterprise & Community Animation	Audit Advice
P2122/29	Enterprise	Enterprise & Community Animation	Monitoring Implementation of Audit Recommendations
P2122/31	Enterprise	Neighbourhood Services	Audit Advice
P2122/32	Enterprise	Neighbourhood Services	Monitoring Implementation of Audit Recommendations
P2122/34	Enterprise	Placemaking, Housing, Highways & Flood	Audit Advice
P2122/37	Enterprise	Placemaking, Housing, Highways & Flood	Monitoring Implementation of Audit Recommendations
P2122/38	Enterprise	Strategic Projects	Audit Advice
P2122/41	Mon Life	Mon Life	Audit Advice
P2122/43	Mon Life	Mon Life	Monitoring Implementation of Audit Recommendations

<b>Job number</b>	<b>Directorate</b>	<b>Service</b>	<b>Job Name</b>
P2122/46	People & Governance	Legal & Monitoring Officer	Audit Advice
P2122/47	People & Governance	People	Audit Advice
P2122/48	People & Governance	People	Monitoring Implementation of Audit Recommendations
P2122/49	Resources	Commercial, Property, Facilities & Fleet	Audit Advice
P2122/52	Resources	Commercial, Property, Facilities & Fleet	Monitoring Implementation of Audit Recommendations
P2122/54	Resources	Digital	Audit Advice
P2122/56	Resources	Finance	Audit Advice
P2122/61	Resources	Finance	Monitoring Implementation of Audit Recommendations
P2122/63	Resources	Payroll	Audit Advice
P2122/64	Resources	Payroll	Monitoring Implementation of Audit Recommendations
P2122/65	Social Care & Health	Children's Services	Audit Advice
P2122/66	Social Care & Health	Children's Services	Monitoring Implementation of Audit Recommendations
P2122/67	Social Care & Health	Integrated Services	Audit Advice
P2122/73	Social Care & Health	Public Protection	Audit Advice
P2122/74	Social Care & Health	Public Protection	Monitoring Implementation of Audit Recommendations
P2122/76	Social Care & Health	Social Services Finance Unit	Audit Advice
P2122/77	Social Care & Health	Social Services Finance Unit	Monitoring Implementation of Audit Recommendations
P2122/78	Social Care & Health	Transformation	Audit Advice

## Performance of the Internal Audit Section

Performance Indicator	2018/19	2019/20	2020/21	Annual Target	2021/22
Percentage of planned audits completed	84%	77%	57%	82%	64%
Average no. of days from audit closing meeting to issue of a draft report	9 days	26 days	16 days	17 days	6 days
Average no. of days from receipt of response to draft report to issue of the final report	18 days	20 days	38days	5 days	5 days
Percentage of recommendations made that were accepted by the clients	98%	98%	99%	95%	99%
Percentage of clients at least 'satisfied' by audit process	100%	100%	100%	95%	100%
Percentage of Directly Chargeable Time (actual versus planned)	107%	90%	N/A	100%	74%