

Meeting of:	Audit Committee
Date of Meeting:	Wednesday, 29 July 2020
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Annual Internal Audit Report 2019 / 2020
Purpose of Report:	To provide the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control and to inform the Audit Committee of the work and performance of Internal Audit for the Financial Year 2019-20.
Report Owner:	Head of the Regional Internal Audit Service
Responsible Officer:	Head of the Regional Internal Audit Service
Elected Member and Officer Consultation:	No Elected Members have been consulted. Legal Services and Head of Finance.
Policy Framework:	The proposals in this report are in accordance with the policy framework and budget.
<p>Executive Summary:</p> <ul style="list-style-type: none"> • This report provides the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control. It also informs the Audit Committee of the work and performance of Internal Audit for the Financial Year 2019-20. This information is provided in order to comply with the Public Sector Internal Audit Standards. • Appendix A contains the Internal Audit Annual Report which details Internal Audit's performance, opinions and recommendations made during the year which assist in forming the Head of Internal Audit's Annual Opinion on the Council's overall control environment. • From the work undertaken during the financial year 2019/20 and considering other sources of assurance, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2019-20 is reasonable assurance. • The actual outturn against the 2019/20 risk-based plan is attached at Annex B. • COVID19 had little impact on the plan as most of the fieldwork had been completed prior to lockdown. 	

Recommendation

1. That Members give due consideration to the Annual Internal Audit Report for the Financial Year 2019-20 including the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control.

Reason for Recommendation

1. To keep Audit Committee informed and to note the Head of Internal Audit's Annual Opinion on the overall control environment at the Council.

1. Background

- 1.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an Annual Report to support the Annual Governance Statement. The report should:
 - Include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
 - Present a summary of the audit work undertaken;
 - Draw attention to any issues that may impact on the level of assurance provided;
 - Provide a summary of the performance for the service;
 - Comment on conformance with the Public Sector Internal Audit Standards.
- 1.2 In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Standards there is also a requirement for the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Internal Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 1.3 The 2019-20 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 30th April 2019. The Plan outlined the assignments to be carried out and their respective priorities. As this was the first year of the newly created Regional Service, 2019-20 was highlighted as a transitional year where flexibility would be required to deal with the demands of setting up a new service.
- 1.4 In addition, the plan was produced based on a full staffing compliment, however vacancies remained during 2019/20 whilst the staffing structure for the Regional Service is being agreed and therefore SWAP Internal Audit Services have assisted with some work.

2. Key Issues for Consideration

- 2.1** The Internal Audit Annual Report is at Appendix A which summaries the reviews undertaken during 2019-20 including any counter fraud work, the recommendations made and any control issues identified. A total of 62 reviews were completed with an audit opinion and a total of 228 medium and high recommendations made. A detailed breakdown is included at Annex 1 of Appendix A.
- 2.2** The annual report also discusses the performance of the internal audit service during the year including benchmarking its performance against other local authorities and highlighting individual staff development and training that has taken place.
- 2.3** Progress against the 2019-20 Risk Based Plan is attached at Annex 2. This details the status of each planned review. It should be noted that some reviews listed have no audit opinion, for example advice and guidance, Audit Committee, External Audit liaison and some fraud and irregularity work. This is because the audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion.
- 2.4** Annex 2 illustrates that most planned audit reviews have been undertaken during 2019-20 despite the reduced staffing resources. Where planned work has not been undertaken, assurance has been gained where possible from other sources such as the Wales Audit Office on safeguarding. Some planned reviews were reassessed during the year and a decision made not to undertake the work, one was carried forward to be completed during 2020-21 whilst 3 audits were not started and will be considered as part of the 2020-21 plan.
- 2.5** Taking into account the results of the internal audit reviews completed during 2019-20, the recommendations made and considering other sources of assurance the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2019-20 is of reasonable assurance. No significant cross-cutting control issues have been identified that would impact on the Council's overall control environment and the weaknesses identified are service specific.
- 2.6** In providing this annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2019-20 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

4. Resources and Legal Considerations

Financial

- 4.1** There are no resource implications as a direct consequence of this report.

Employment

- 4.2** None as a direct consequence of this report.

Legal (Including Equalities)

- 4.3** The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2014 as amended from time to time. There are no equalities implications as a direct consequence of this report.

5. Background Papers

None



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Section 1 – Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires the Head of Internal Audit to deliver an annual internal audit opinion and report which can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 1.2 The 2019/20 Internal Audit Plan outlined the assignments to be carried out to enable the Head of Internal Audit to form an annual opinion of the Council's overall control environment including, governance, risk management and internal control.
- 1.3 The Internal Audit Service is delivered through the expanded shared service that came into existence on 1st April 2019. The service is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils. The arrangement is underpinned by a detailed legal agreement between the four Councils which sets out a range of obligations (the core service is the same for each Council but there are differences in what is provided outside of the core service).
- 1.4 The service reports to the four Audit Committees and is overseen at a strategic level by the Board which consists of the Chief Finance Officers of the four Councils.

Section 2 – Summary of Reviews Undertaken 2019/20

- 2.1 On completion of the audit reviews an audit opinion is formed providing assurance for management and those charged with governance on how well the internal controls and governance arrangements of the system, establishment or area of review are operating.
- 2.2 Based upon the findings and recommendations made, an overall conclusion as to the level of assurance that can be provided is given as follows:

Substantial Assurance

- Key controls exist and are applied consistently and effectively
- Objectives are being achieved efficiently, effectively and economically.

Reasonable Assurance

(some risk of loss, fraud, impropriety, or damage to reputation)

- Key controls exist but there may be some inconsistency in application;
- Compensating controls operating effectively;
- Objectives achieved but could be improved.

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Limited Assurance

(a high risk of loss, fraud, impropriety, or damage to reputation)

- Key controls exist but they are not applied, or they are not applied consistently and effectively;
- Objectives are not being met, or are being met without achieving efficiency or effectiveness

No Assurance

(a very high risk of loss, fraud, impropriety, or damage to reputation)

- Key controls do not exist;
- Objectives are either not met, or are met without achieving efficiency or effectiveness

Table 1 – Audit Opinion Given to Completed Audit Reviews 2019/20

Opinion	Follow Ups	Financial Systems	Other Audit Reviews	Grant Verification	Fraud Work	Total	%
Substantial	0	1	4	4	0	9	14%
Reasonable	6	8	23	3	0	40	65%
Limited	2	0	8	0	3	13	21%
No Assurance	0	0	0	0	0	0	0%
Total	8	9	35	7	3	62	100%

- 2.3 Table 1 illustrates that a total of 62 reviews have been given an audit opinion. A detailed list of these is at **Annex 1**.
- 2.4 Based on the testing of the effectiveness of the internal control environment an audit opinion of substantial assurance has been given to 9 reviews (14%) and an opinion of reasonable to 40 reviews (65%). The remaining 13 have been given an audit opinion of limited, that is only limited assurance can be placed on the current systems of internal control. These are detailed in Section 3 below.
- 2.5 Progress against the 2019/20 Risk Based Plan is attached at **Annex 2**. This details the status of each planned review, the audit opinion and the number of any high or medium recommendations made to improve the control environment. It should be noted that some reviews listed have no audit opinion, for example advice and guidance, Audit Committee, External Audit liaison, some Fraud and Irregularity work. This is because the audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion.
- 2.6 **Annex 2** illustrates that most planned audit reviews have been undertaken during 2019/20 despite reduced staffing resources. Where planned work has not been undertaken, assurance has been gained where possible from other sources such as the Wales Audit Office report on safeguarding. Some planned reviews were reassessed during the year and a decision made not to undertake the work.

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- 2.7 The Covid19 outbreak has had little impact on the delivery of the internal audit plan for 2019/20 as relevant testing in all but 4 reviews had been completed prior to the lockdown coming into force allowing final reports to be issued. Of the 4, one review had been started and carried forward into 2020/21 whilst the remaining three will be considered for inclusion in the 2020/21 plan.

Section 3 – Limited Reports - Control Issues

- 3.1 Table 1 illustrates that 13 reviews identified control issues which meant that only limited assurance could be provided. These are detailed below:
- 3.2 **ICT Business Continuity Planning Follow Up**
The initial audit review resulted in the issuing of a limited assurance report in December 2018. Due to the potential risks the service / Authority was deemed to be exposed to a follow up audit review was undertaken to ensure that the recommendations agreed had been implemented in an attempt to reduce the risk. Initially 3 recommendations were made and during the follow up review it was identified that only one of these had been partially implemented. Generally, it was identified that there had been no formal collation of business impact assessments across the organisation and thus critical applications had been assigned solely on the best efforts of staff members within ICT Services rather than a more holistic approach. Recommendations have now been made at a Senior level so there is collaboration across service areas to address this.
- 3.3 **FOI Supportdesk System**
The externally provided SupportDesk system is used by the Council to process Freedom of Information (FOI) and Subject Access Requests (SAR). A data breach in relation to the online request for information form linked to the software was identified and although the Information Commissioners' Office (ICO) decided that no further action was required it was recommended that the causes of the incident were investigated. The objective of the audit was to provide assurance on the security of information contained on the SupportDesk system and the review identified measures that the company need to take to ensure the system is fully secure. The recommendations made were discussed with the company who agreed to take the required action to improve the security of the system.
- 3.4 **Contractor Final Account**
Internal Audit were asked to review the basis of a decision, regarding a final payment to a contractor, to ensure there was a clear rationale and audit trail to support the decision made. The review concluded that there was an insufficient audit trail to support the final payment and recommendations were made to improve the negotiation and decision-making process and hence safeguard Council Officers in these situations.

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3.5 Catering Company Governance & Set Up

A review of the proposed set up and governance arrangements of the new Catering Company was undertaken. At the time of the review the planned "go live" date for the Catering Company was only 5 weeks away. Although the audit concluded that there were many positives to this concept, when looking at the readiness for trading within that timescale, several recommendations were made which had an impact on the level of assurance that could be assigned. Therefore, a limited opinion was given. Since this audit review the "go live" date was revised to a later date (1st January 2020). The recommendations were agreed and were being addressed prior to the new "go live" date.

3.6 Catering Company Governance & Financial Control Follow Up

This follow up review was undertaken in December 2019, following on from the previous work and having regard to the fact that, at this time, the Catering Company were due to commence trading on 1st January 2020. This work was to provide assurance that adequate steps have been taken to implement the previously agreed recommendations. Based on the follow up work however the audit opinion remained as limited as only 1 recommendation has been fully implemented and 5 only partially implemented. It was recommended that the Council provides additional support on specialist areas such as Finance, HR and ICT at the commencement of trading to identify the essential tasks needed to ensure adequate financial management for the company. This was agreed and further audit work will be undertaken to ensure that systems and processes become fully embedded into the new company.

3.7 Stanwell Comprehensive School Payroll

This school undertakes its own payroll function and the planned audit review identified that certain processes and procedures required updating and strengthening. The recommendations made have been accepted and are in the process of being implemented.

3.8 All Saints Primary School

Evidence could not be provided during the audit to demonstrate that the school's governance arrangements are sufficient and effective. There were also queries in respect of the school's unofficial fund. This audit visit was completed over a month prior to the school closing due to Covid19 pandemic. As evidence had not been provided, the report was completed based on the Auditor's initial findings. A follow up visit will be undertaken during the next school year.

3.9 Schools Central Budget Monitoring

This review was undertaken to ensure that the systems and processes in place for monitoring school revenue budgets are efficient and effective in order to provide timely and accurate information. There is a service level agreement in place between schools and the Learning & Skills Directorate and each school has a dedicated Finance Support Officer. The review found areas where improvements can be made to increase efficiency and accuracy such as updating the website with applicable school finance documents, updating the school monitoring coverage and considering streamlining the financial systems in use to avoid duplication and manual entries.

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3.10 Social Services Direct Payments

This was a follow up review of a previous limited assurance report. Testing was undertaken to identify the progress made by the service area against the previous recommendations made. Unfortunately, progress had been slower than planned and as a result only limited changes had been made to improve the systems and controls. This will be monitored and reviewed again in the next financial year.

3.11 Social Care Contract & Commissioning Follow Up

This was a follow up to a previous limited assurance review completed in 2018/19. It was found that although the target implementation dates had passed the recommendations were not fully completed and therefore improvements could not be verified. One high risk recommendation had been made to improve the accuracy of the information held to assist in budget monitoring and this was incomplete at the time of the review. The status therefore remained limited and a further review will take place to ensure improvements have been made.

3.12 Youth Services – Missing Laptop

A laptop was reported missing and the subsequent audit review identified a poor system of control in place to record and safely store assets. Recommendations have been made and accepted by management and a follow up review will be undertaken to ensure that controls have improved.

3.13 Youth Services – Petty Cash

A small amount of missing money was reported and as a result a review of the systems and processes in place identified improvements that could be made to strengthen the existing weak controls. These have been accepted and a follow up review will be undertaken in due course.

3.14 Capital Scheme Award

A whistleblowing allegation was received, the caller stating that the Council's tender procedure was not followed correctly, and scoring was not impartial. Other detailed information was provided regarding specific contracts and work was undertaken to determine if the allegation could be supported. This audit review identified that there were weaknesses in the current system and therefore recommendations have been made to assist in making the necessary improvements.

Section 4 – Recommendations – 2019/20

- 4.1 Recommendations are made at the conclusion of an audit review if it is felt that improvements should be made to mitigate risk. Recommendations are included in an implementation plan and following each audit report recipients are asked to complete an action / implementation plan showing whether they agree with the recommendations made and how they plan to implement them. The classification of each recommendation made assists management in focusing their attention on priority actions.

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Table 2 – Analysis of Recommendations Made

Recs.	Follow Ups	Financial Systems	Other Audit Reviews	Grant Verification	Fraud Work	Total	%
High	3	6	0	0	0	9	4%
Medium	23	27	153	2	14	219	96%
Total	26	33	153	2	14	228	100%

- 4.2 Table 2 illustrates that a total of 228 high or medium recommendations have been made to improve the control environment of the areas reviewed during 2019/20. Management has given written assurance that these will be implemented or have accepted the identified risk if the recommendation has not been accepted. The implementation of these recommendations is being monitored to ensure that improvements are being made.
- 4.3 9 recommendations have been deemed fundamental / high priority. 6 of these relate to the initial review and follow up of the Catering Company. The high priority rating given to most of these was due to the extremely tight timescales in place at the time the reviews took place and represented the likely impact to the business at that point in time. As stated above the Catering Company creation was delayed and therefore these high-risk recommendations still needed to be addressed but in more realistic timescales.
- 4.4 The remaining 3 fundamental recommendations relate to the FOI Supportdesk System and the Social Care Commissioning reviews which have been described above. The implementation of these recommendations will be followed up in due course to ensure improvements have been made.
- 4.5 The implementation of the 219 significant / medium priority recommendations, which have been accepted, is monitored by Internal Audit.
- 4.6 Where it is deemed appropriate to do so, Merits Attention recommendations are made. These relate specifically to an action that is considered desirable but does not necessarily have an impact on the control environment. Therefore, these recommendations are not included on the Management Implementation Plan or logged on the Internal Audit Management Information system. Therefore, a formal written response is not required from the client.

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Section 5 – Counter Fraud Work

5.1 A total of 9 potential fraud or irregularity matters were referred to Internal Audit for review during 2019/20. This work can be generated in several ways, by whistleblowing or complaint referrals; by Managers who may have concerns over a certain issue or individual or as a result of an audit review. These are listed in Table 3 below.

Table 3 - Counter Fraud & Corruption Work

Counter Fraud & Corruption Work	Opinion		
	Substantial	Reasonable	Limited
Youth Missing Laptop			√
Email & Internet Use	n/a	n/a	n/a
EMail Internet Review	n/a	n/a	n/a
Team Email & Internet Review	n/a	n/a	n/a
Email & Internet Update	n/a	n/a	n/a
School Cleaners Timekeeping	n/a	n/a	n/a
Youth Services Petty Cash			√
School Grievance	n/a	n/a	n/a
Capital Scheme Award			√
Total providing an overall assurance opinion (3)	0	0	3

5.2 Table 3 illustrates that 6 of the 9 referrals were fact finding exercises and no audit opinion was provided. Reports were presented to Manager's to consider the next course of action, such as disciplinary action. The remaining 3 have resulted in limited assurance audit reports being issued as it was identified that the control environment required improvement and recommendations were made accordingly. A description of the control issues identified in these 3 reports is included in Section 3 above and the recommendations included in Table 2.

5.3 The National Fraud Initiative is also included in our audit plan. Internal Audit together with the Corporate Fraud Officer facilitates the upload of data, user account management and provides assistance and advice to officers reviewing the data matches. During 2019/20 a total of £192,813 of recoverable fraud/errors were identified through the initiative.

5.4 A separate report will be presented to the Audit Committee in relation to Corporate Fraud including the detailed results of the National Fraud Initiative.

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Section 6 – Key Performance Measures – Client Satisfaction Questionnaires

- 6.1 The Internal Audit Service has for several years operated a system to enable clients to feedback with comments on the work undertaken by internal auditors. The client satisfaction questionnaires provide managers with the opportunity to feedback on the performance, professionalism and conduct of the auditor as well as the audit process in general.

The questions covered are below:

No.	Question
1	Where appropriate, briefing of client and usefulness of initial discussion.
2	Appropriateness of scope and objectives of the audit.
3	Timelines of audit.
4	Response of Officer to any requests for advice and assistance.
5	General helpfulness and conduct of Auditor (s)
6	Discussion of findings / recommendations during or at the conclusion of the audit.
7	Fairness and accuracy of report.
8	Practicality and usefulness of recommendations
9	Standard of report.
10	Client agreement with overall audit opinion.

- 6.2 The returned surveys have confirmed satisfaction with the audit approach. In addition to the above, the client also has an opportunity to make their own comments on the Client Satisfaction Survey. Set out below are two examples that have been received during the period.

The system is not very user friendly particularly in terms of accessing reports so the Auditor had to work with ICT and System Administrator to produce reports to support the findings.

The Auditor was very professional, polite and a pleasure to work with

- 6.3 The number of returned questionnaires has reduced in recent years and a mechanism to automate the chase up of responses will be explored through the new Internal Audit Software that is being introduced.

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Section 7 – Key Performance Measures – Staff Training

- 7.1 Investment in the development of staff continues as it is recognised that with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated and versatile audit staff has never been higher.
- 7.2 In terms of professional training, one member of staff is currently studying for the Chartered Institute of Public Finance and Accountancy qualification and has successfully completed the Professional and Diploma stage of the qualification and is undertaking the final Strategic stage. Another member of staff has commenced the Chartered Institute of Internal Auditors Certified Internal Auditor qualification which consists of 3 modules. To date one module has been successfully completed.
- 7.3 Staff are also encouraged to attend courses or seminars or complete on-line courses to develop their skills and networking opportunities. Listed below are the training courses that staff have completed during 2019-20 :
- WAO Finance for the Future Conference attended
 - CIPFA Wales Annual Conference attended
 - Data Protection Essentials training
 - Safeguarding Children & Adults – Raising Awareness
 - Cyber Crime online training
 - Microsoft Excel Training
 - Violence against Women, Domestic Abuse and Domestic Violence
 - Oracle Accounts Receivable Training
 - CIPFA Strategic Public Finance Web Classes – various subjects
 - ISACA Webinar – various subjects

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Section 8 – Key Performance Measures – Benchmarking

8.1 The Internal Audit Service participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2018/19 have been received and are as shown in Table 4 below:

Table 4 – Performance Data

Performance Indicator 2018/2019	IASS Performance VOG 2018/19	WCAG Average Performance 2018/19	IASS Performance VOG 2017/18	WCAG Average Performance 2017/18
Percentage of Planned Audits Completed	94%	85%	95%	86%
Percentage of Audits Completed in Planned Time	72%	74%	63%	73%
Percentage of directly chargeable time versus total available	77%	70%	60%	67%
Percentage of directly chargeable time actual versus planned	64%	87%	56%	86%

8.2 It should be noted that 18 of the 22 Councils returned their performance figures for 2018/19 representing a return rate of 82%. It is clear from the figures provided that the Section's performance improved when compared with that of 2017/18 which is partly due to the successful recruitment of 2 Auditors during 2018/19.

Section 9 – Public Sector Internal Audit Standards

9.1 The Public Sector Internal Audit Standards encompass the following mandatory elements:

- Definition of Internal Auditing;
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing.

9.2 The Standards aim to promote further improvement in the professionalism, quality and effectiveness of Internal Audit Services across the public sector. The Standards require that each public sector Internal Audit Service has in place robust arrangements for quality assurance and requires that Internal Audit be the subject of an external assessment at least once every 5 years.

9.3 The Internal Audit Service received an external assessment in accordance with the Standards in 2017 and another will be due in 2022. No areas of non-compliance that would affect the overall scope or operation of the Internal Audit activity were

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identified and the assessment noted that there were no significant deviations from the Standards.

- 9.4 No significant changes have occurred in respect of the working practices since the Regional Internal Audit Service was set up in April 2019. As a result, the Service continues to conform to the Standards during 2019/20.

Section 10 – Regional Internal Audit Service Progress

- 10.1 As stated above in Section 1 the expanded shared service came into existence on 1st April 2019. The service is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils.

- 10.2 A vision for the service has been produced alongside a number of objectives.

Vision

To be the provider of Internal Audit Services of choice to the public sector in South Wales and be a centre of excellence for public sector internal auditing.

To be a service that is regarded as:

- ✓ Professional
- ✓ Approachable
- ✓ Flexible
- ✓ Independent but internal to the organisation – a critical friend

- 10.3 The immediate priorities for the service were identified as follows:

- Ensure a seamless transition from previous arrangements
- Ensure Internal Audit plans for each Council have been developed, consulted on and are deliverable within the likely resources available
- Production of Annual Internal Audit Reports for each Council
- Continue to support all four Audit Committees
- Continue to deliver the planned Audits for each Council

These were all delivered.

- 10.4 The priorities identified for the first 12 months for the Service were:

- Develop a structure taking into account TUPE requirements and SWOT analysis
- Confirm ICT solution & arrangements
- Identify & evaluate different approaches/ methodologies of each Internal Audit team and identify most appropriate to adopt

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- 10.5 A new staffing structure has been developed and agreed and it is planned to commence recruitment when the restrictions around the Pandemic allow. New ICT equipment was purchased for staff to ensure consistency and compatibility. A new software solution for the service has been agreed and procured. This will be rolled out to staff during 2020/21.
- 10.6 Work has commenced on evaluating different approaches/ methodologies of each internal audit team to identify and develop the most appropriate to adopt. This will continue linked with the roll out of the new software however Covid will impact on how the service is delivered for the foreseeable future and remote auditing will have to be developed.
- 10.7 The longer-term success of the service includes plans to develop a commercial approach and analysing the potential public sector market. Limited progress has been made on this aspect as the foundations referred to above need to be embedded before progressing this.

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Section 11 - Opinion Statement 2019/20

This statement of opinion is underpinned by:

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Creditors, Debtors, Business Rates, Treasury Management etc.) or generally in the reviews undertaken in respect of directorate systems. Due to the resourcing issues during the year within the Internal Audit Shared Service, audit work was also commissioned from SWAP Internal Audit Services.

In providing my annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2019/20 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at my opinion, the following matters have been taken into account:

- The results of all internal audits undertaken during the year ended 31st March 2020
- The results of follow-up reviews of action taken to address audit recommendations;
- Whether or not any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the Council's objectives and activities.
- Other sources of assurance

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Risk Management

Effective Risk Management forms a key aspect of assurance and governance. The Corporate Risk Management Policy is aligned with Directorate Plans and the Council's performance management framework.

Key risks are distilled in the Corporate Risk Assessment. This sets out how the Council is addressing these risks and the mitigating actions it will put in place to reduce them. It is regularly reviewed and challenged by both senior management and the Audit Committee.

It is not possible to eliminate all risk of failure to meet the targets in the Council's policies, aims and objectives and cannot therefore provide absolute assurance of effectiveness, but one of **reasonable assurance** is given.

Governance Arrangements

Good Governance will facilitate effective management that can deliver long term success and performance of an organisation.

Whilst no single audit was conducted specifically on governance, governance arrangements are considered as part of every audit. Assurance has also been drawn from the responses received in relation to the Annual Assurance Statements from Chief Officers, Head Teachers and Chairs of Governors.

No significant issues were identified from a governance perspective therefore an opinion of **reasonable assurance** is given.

Internal Control

I have based my opinion on internal control using the work undertaken by internal audit during the year.

A total of 62 reviews culminating in an overall opinion have been completed, 49 (79%) of which have been closed with either a substantial or reasonable assurance opinion level. 13 reviews (21%) have identified weaknesses in the overall control environment, and these have been summarised in Section 3 above.

Therefore, an opinion of **reasonable assurance** can be given on internal control.

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Head of Internal Audit Opinion Statement 2019/20

From the work undertaken during the financial year 2019/20 and taking into account other sources of assurance, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2019-20 is:

“Reasonable Assurance”

The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year and the contribution to the Audit Plan made by the SWAP Internal Audit Services, no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.

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Annex 1 – Audits Completed with an Opinion & Recommendations 2019/20

Audit	Opinion			Recommendations	
	Substantial	Reasonable	Limited	High	Medium
C/F Housing Benefits		√			4
C/F Payroll & Excessive Hours		√			7
C/F Debtors		√			5
C/F Creditors		√			2
C/F Reshaping Services		√			1
Bus Service Support Grant (BSSG)		√			2
Supporting People Outcomes		√			0
SRS - Illegal Money Lending (IML) Grant Verification	√				0
Rent Smart Grant Verification	√				0
Education Improvement Grant 18/19		√			0
Supporting People Grant	√				0
Carbon Reduction Commitment (CRC) 18/19	√				0
Treasury Management	√				0
Council Tax Reduction Scheme		√			3
Capital Programme		√			0
VAT		√			4
Business Rates	√				0
Insurance		√			6
Retrospective Orders		√			5
Standing Data inc. PO Box Addresses		√			0
Banks Automated Clearing System (BACS)		√			1
Employee Gifts and Hospitality & Declarations of Interests.		√			8
Flex Scheme Pilot Review		√			3
ICT Business Continuity Planning			√		3
FOI SupportDesk System			√	2	1

Annual Internal Audit Report 2019/20

Audit	Opinion			Recommendations	
	Substantial	Reasonable	Limited	High	Medium
Data Security in the Cloud based environment		√			7
ICT – Social Services - WCCIS		√			0
General Data Protection Regulations (GDPR)		√			3
Acquisition and disposal of assets	√				0
Contract and Project Management		√			3
SRS Joint Service - Governance & Financial Controls	√				0
Housing Revenue Account		√			5
Housing Tenancy Verification		√			5
Contractor Final Account			√		4
Waste Management		√			3
e-Procurement Follow Up		√			1
Youth Services - Use of fuel Follow Up		√			4
Facilities Management Follow Up		√			2
Home to School Transport		√			5
Catering Company Governance & Financial Control			√	4	7
Catering Company Governance & Financial Control Follow Up			√	2	7
School CRSA		√			2
Cowbridge Comprehensive School Payroll		√			1
Holton Road Primary School Follow Up		√			1
St Cyres Comprehensive School Payroll		√			3
Stanwell Comprehensive School Payroll			√		10
Colcot School Follow Up		√			5
Pendoylan School		√			6
Ysgol Bro Morgannwg		√			8
Ysgol Y Deri		√			4
All Saints Primary School			√		16
Romilly Primary School		√			10

Annual Internal Audit Report 2019/20

Audit	Opinion			Recommendations	
	Substantial	Reasonable	Limited	High	Medium
School Budget Monitoring			√		6
Fostering		√			4
Adoption Service	√				1
Direct Payments			√		12
Social Services - Complaints / Representations Follow Up		√			0
Follow Up - Contract & Commissioning – Brokerage etc.			√	1	3
Care Homes		√			2
Youth Missing Laptop			√		3
Team Email & Internet Review					2
School Cleaners Timekeeping					2
Youth Services Petty Cash			√		3
WB - Capital Scheme Award			√		4
Total Providing an Overall Assurance Opinion (62)	9	40	13	9	219

Vale of Glamorgan Council - Activity Against Audit Plan 1st April 2019 to 31st March 2020

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Priority One							
Adoption Service	To provide assurance to the governance board on the adequacy and effectiveness of the overall control environment including Governance, Risk Management and Internal Control for 2018-19.	Completed	√				1
SRS Joint Service - Governance & Financial Controls	Assurance Testing – To provide assurance to the Shared Regulatory Service Board on the systems and processes in place in respect of the overall control environment including governance, risk management and internal control for the 2018-19 Financial Year.	Completed	√				0
Safeguarding	This review will also include an annual assessment of the Council's overall operating model for safeguarding;	deferred - WAO work issued June 2019					
CRSA	Annual controlled risk self – assessment for schools to enable Head Teachers to review their internal controls and to ensure that they undertake and comply with the requirements of current legislation and the Financial Procedure Rules.	Completed		√			2
Grant Certification Work	Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with.						
	Bus Service Support Grant (BSSG)	Completed		√			2
	Supporting People Outcomes	Completed		√			0
	SRS - Illegal Money Lending (IML) Verification	Completed	√				0
	Rent Smart Grant Verification	Completed	√				0
	Education Improvement Grant 18/19	Completed		√			0
	Supporting People Grant	Completed	√				0
	Carbon Reduction Commitment (CRC) 18/19	Completed	√				0
Material Systems – Key Financial Systems	A rolling programme of audits is adopted for material systems.						
	Treasury Management	Completed	√				0
	Council Tax Reduction Scheme	Completed		√			3
Procurement – Compliance with Procurement Legislation and Council Regulations.	To provide assurance that the Council has appropriate arrangements in place that are being complied with, to ensure compliance with procurement legislation and internal regulations.	included within the Contract review below					
Reshaping Services	To gain assurance that high risk projects are being managed under the Reshaping Services Agenda are delivering the savings required.	not allocated - SWAP report 2018/19 and WAO review due to commence in Feb 2020					
Capital Programme	The work undertaken is to provide assurances that the control environment surrounding both are robust, efficient and effective.	SWAP - completed		√			0

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Direct Payments	To follow up on the recommendations made as part of the review during 2018/19 to ensure that action has been taken to address the weaknesses identified.	Completed			v		12
Data Analytics	Data Analytics is proving to be a useful internal audit tool as councils become more reliant on electronic data, as data analytics enables a vast amount of data to be analysed when selecting testing samples	analysis of supplier data used to inform contract audit work					
Audit Committee / Member and CMT Reporting	Member reporting procedures, mainly to the Audit Committee, plan formulation and monitoring, and regular reporting to, and meeting with, the Section 151 Officer, Corporate Management Team and the Internal Audit Shared Service Board.						
Advice & Guidance Provision of Internal Control / General Advice	To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff.						
Compliance – expenses / mileage claims	Review of expenses / mileage claims submitted which are over three months old. Ongoing throughout the year.	All expenses in excess of 3 months old are reviewed by Internal Audit. During the year 268 claims have been reviewed.					
Compliance with PSIAS	Review compliance with the Public Sector Internal Audit Standards.						
Carry Forward from 2018-19	Provision for those assignments which are still ongoing at the end of 2018-19.						
	C/F Housing Benefits	Completed		v			4
	C/F Payroll & Excessive Hours	Completed		v			7
	C/F Debtors	Completed		v			5
	C/F Creditors	Completed		v			2
2018-19 closure of reports	C/F Reshaping Services	Completed		v			1
	To finalise all draft reports outstanding at the end of 2018-19.	Completed					
Annual Governance Statement 2018-19	The completion of the Council's Annual Governance Statement, submission to the Insight Board and Audit Committee and included with the Draft Statement of Accounts 2018-19 (including the Governance Assurance Statements from Corporate Officers and Senior Management. Deadline date June 2019.	Completed					
Follow up of Recs. for Limited Reports	To ensure that all recommendations made in 2018-19 have been actioned.	see below					
	e-Procurement Follow Up	Completed		v			1
	Youth Services - Use of fuel Follow Up	Completed		v			4
	Catering Company Governance Follow Up	Completed			v	2	7

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
	Facilities Management Follow Up	Completed		v			2
	ICT Business Continuity Planning Follow Up	Completed			v		3
Recommendation Monitoring	Monitoring the implementation of Internal Audit recommendations ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner.	completed					
Annual Opinion Report 2018-19	To prepare and issue the Head of Audit's Annual Opinion Report 2018/19.	Completed					
Audit Planning 19-20	To monitor the annual risk based audit plan for 2019/20.	Completed					
Audit Planning 20-21	To prepare and present the annual risk based audit plan for 2020/21.	Completed					
Exemptions to Contract / Finance Procedure Rules	To challenge the use of exemptions to both Contract and Finance Procedure Rules via the waiver procedure. Challenge provided throughout the year.	29 exemptions / waivers have been challenged and actioned during the year.					
Emerging Risks / unplanned	To enable Audit Services to flexibly respond to provide assurance activity as required.						
	Flex Scheme Pilot Review	Completed		v			3
	Contractor Final Account	Completed			v		4
External Audit Liaison	To ensure that a "managed audit" approach is followed in relation to the provision of internal and external audit services.						
Fraud / Error / Irregularity	Irregularity Investigations - Reactive work where suspected irregularity has been detected.	see below					
	Youth Missing Laptop	Completed			v		3
	Email & Internet Use	fact finding report issued					
	EMail Internet Review	fact finding report issued					
	Team Email & Internet Review	fact finding report issued					2
	Email & Internet Update	fact finding report issued					
	School Cleaners Timekeeping	fact finding report issued					2
	Youth Services Petty Cash	Completed			v		3
	School Grievance	fact finding report issued					
	Capital Scheme Award	Completed			v		4
Fraud / Error / Irregularity	Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud .Include training and awareness sessions	ongoing and subject to separate reporting					
Fraud / Error / Irregularity	National Fraud Initiative - Collection of data and analysis of matches for the NFI exercise, acting as first point of contact and providing advice and guidance to key contact officers.						
	Sub Totals Priority One		7	15	7	2	77
Priority Two							

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Risk Management	Review of evidence to ensure that the council has a fully embedded risk management system in place that identifies and treats risks to key strategic and operational objectives.	not undertaken					
Retrospective Orders	Inappropriate use of retrospective orders increases the risk to the Council of duplicate / fraudulent orders and payments, disputes and legal consequences, ineffective budget management and the non-achievement of Value for Money.	Completed		√			5
Standing Data inc. PO Box Addresses	This is a bespoke piece of work which will look at:-reviwing validity of PO Boxes, identify irregularities and rec checks to be carried out.	Completed		√			0
Homelessness	This audit will review the effectiveness of the systems in operation for processing applications and monitoring homelessness cases.	to be undertaken 2020/21					
Banks Automated Clearing System (BACS)	This review will provide assurance on the adequacy and effectiveness of the control environment surrounding both Direct Debits and Credits across the Council.	Completed		√			1
Housing Revenue Account	To review Leasehold service charge accounts, systems and controls	Completed		√			5
Housing Tenancy Verification	To provide assurance that appropriate arrangements have been put in place to manage the impact of Universal Credit on rent collection including intervention relating to identified vulnerable cases.	Completed		√			5
Fostering	To review the resilience of the system for recruiting and retaining Foster Carers.	Completed		√			4
VAT	To provide assurance over arrangements in place to maximise the recovery of VAT and ensure that VAT recovered is adequately supported.	Completed		√			4
Business Rates	To provide assurance over the accuracy of Business Rates billing and robustness of collection arrangements.	Completed	√				0
Employee Gifts and Hospitality & Declarations of Interests.	The "Code of Conduct Protocol" require employees to register any gifts or hospitality / declarations of interest, in order to provide openness and transparency and protection for employees against allegations of conflicts of interest or corruption in the minds of the public. This review will seek to determine the level of compliance with the Code.	Completed		√			8
Performance Management Framework	To review the performance management arrangements paying particular attention to the accuracy of the performance information collected and reported.	to be undertaken 2020/21					
PCI – DSS (Payment Card Industries – Data Security Standards)	To review the procedures and processes in operation relating to PCI - DSS to determine if the previously identified areas of weakness have been fully rectified and that the control environment is robust.	to be undertaken 2020/21					

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Schools	To undertake a number of school based reviews in accordance with Internal Audit's risk based schools assessment.						
	Cowbridge Comprehensive Payroll	Completed		√			1
	Holton Road Primary Follow Up	Completed		√			1
	St Cyres Comprehensive Payroll	Completed		√			3
	Stanwell Comprehensive Payroll	Completed			√		10
	Colcot Follow Up	Completed		√			5
	Pendoylan School	Completed		√			6
	Ysgol Bro Morgannwg	Completed		√			8
	Ysgol Y Deri	Completed		√			4
	All Saints Primary	Completed			√		16
	Romilly Primary	Completed		√			10
	Schools	To undertake cross-cutting projects to ensure compliance across all schools.					
School Budget Monitoring		Completed			√		6
Care Homes	A review of the systems and controls in place to provide assurance that effective management is in place to mitigate any risks	Completed		√			2
SRS Work	To review the procedures and processes in operation relating to the Shared Regulatory Service determine if the control environment is robust.	taxi licensing in VOG and BCBC undertaken at end of 2018-19					
Waste Management	To review collection performance, arrangements in place for increasing levels of recycling, how customer complaints are dealt with, as well as monitoring costs and collecting income (trade waste).	Completed		√			3
Catering	To provide assurances as to the robustness of the overall governance structure within the newly formed Catering Company.	Completed			√	4	7
Organisational Development Policy Compliance	To ensure that policies and procedures are being administered consistently across the organisation.	not undertaken					
Contract and Project Management	To undertake a review of the procedures and processes associated with a number of Contracts / Projects / Programme. Particular emphasis will be placed on compliance to the Council's Rules and Regulations and Project Management Methodology associated with high risk contracts.	SWAP - completed		√			3
ICT Audit	ICT systems reviews will be undertaken across Directorates ICT systems to ensure robust controls are evident and operating effectively.						
	C1V Software Applications	c/f to be completed 2020/21					
	FOI SupportDesk System	Completed			√	2	1
Data Security in the Cloud based environment	To provide assurance over the Council's arrangements to ensure data security where business is transacted in the Cloud.	Completed		√			7
ICT – Social Services - WCCIS	To follow up on the recommendations made as part of the 2018/19 review to ensure action has been taken to address the weaknesses identified.	SWAP - completed		√			0

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Complaints / Representations & Advocacy – Social Services	To follow up on the recommendations made as part of the 2018/19 review to ensure action has been taken to address the weaknesses identified	SWAP - completed		√			0
Communications	This review will seek to determine whether there is an effective control framework in place for the production of reliable financial information, prior to release to either internal or external parties	not undertaken - review completed and issued in qtr 4 2018/19					
Insurance	This review will seek to determine whether the Council has an effective control framework in place for the management/monitoring of incidents that have led to claims being upheld; and that any further mitigating actions/controls are considered/implemented as part of the organisation's wider risk management programme.	Completed		√			6
General Data Protection Regulations (GDPR)	The General Data Protection Regulation (GDPR)	SWAP - completed		√			3
Highways Winter Maintenance	To provide assurance over the Council's compliance with the Code of Practice for Well Maintained Highways	not undertaken					
Home to School Transport	Focus on eligibility criteria to determine whether children receive the right level of assistance and the processes in place for the provision of home to school transport. The audit will consider procurement processes , service provider checks and budget overspends .	SWAP - completed		√			5
Follow Up - Additional Learning Needs Bill	To follow up on the recommendations made during the 2018/19 review to ensure action has been taken to address the weaknesses identified.	position statement, no recs made so review not required; days reallocated					
Contract & Commissioning Follow Up	To follow up on the recommendations made during the 2018/19 limited assurance audit review to ensure that action has been taken to address the weaknesses identified.	Completed by SWAP			√	1	3
Debt Mapping	Map the processes for debt recovery and review for efficiency; ensuring it is in line with the Council's Regulations and Policies.	Included in Debtor review completed in June 2019					
Acquisition and disposal of assets	To review the governance arrangements and decision making procedures for the acquisition and disposal of the Council's Assets to ensure they comply with the Council's Policies, Regulations and Procedures.	Completed	√				0
Sub Total Priority Two			2	25	6	7	142
OVERALL TOTALS			9	40	13	9	219