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| Meeting of: | Audit Committee |
| Date of Meeting: | Thursday, 24 September 2020 |
| Relevant Scrutiny Committee: | Corporate Performance and Resources |
| Report Title: | Annual Internal Audit Plan 2020/21 |
| Purpose of Report: | To provide members of the Audit Committee with the Annual Internal Audit Risk Based Plan for 2020-21 |
| 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"> • In line with the Public Sector Internal Audit Standards the Head of Internal Audit must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based audit plan should cover the Council's overall control environment including risk, governance and internal controls as far as practicable. • The consideration of the Regional Internal Audit Service's Annual Risk Based Plan is one of the Audit Committee's key responsibilities. • As a result of the significant changes to the way the Council was and is operating due to the outbreak of the pandemic in March 2020, it has been necessary to re-evaluate the original draft plan prepared prior to this outbreak, and to develop a revised Risk Based Plan for 2020-21 which takes into account an updated assessment of risk as a result of COVID-19. • The proposed Annual Risk Based Plan for 2020/21 is attached at Appendix A to this report. It provides the Committee with an overview of the work to be undertaken and will offer sufficient coverage to be able to provide an opinion at the end of 2020-21 whilst having regard to the unprecedented impact caused by the pandemic. • The revised plan is also more flexible than usual to be able to respond to changing circumstances and events that may occur such as a second wave/outbreaks, ability to access staff and evidence or requests to respond to new issues that may emerge. | |

- Internal Audit work will be undertaken remotely using video conferencing (e.g. Microsoft Teams/Skype) and digital solutions as a basis for meetings and sharing documents and data. There is a need to learn what works and what does not work and also take account of pressures on particular services and individuals whilst conducting our work.
- The Audit Committee will receive updates on how the plan is being delivered and any changes that may be required as the year progresses.

Recommendation

1. The Committee is recommended to consider and approve the proposed Internal Audit Annual Risk Based Plan for 2020-21 in line with its Terms of Reference.

Reason for Recommendation

- 1.1 To keep the Audit Committee informed and to approve the proposed draft Annual Risk-Based Audit Plan for 2020/21 in compliance with the Public Sector Internal Audit Standards (PSIAS) and the Committee's Terms of Reference.

1. Background

- 1.1 The United Kingdom Public Sector Internal Audit Standards (Performance Standard - 2010 Planning) provides the framework within which an internal audit plan should be compiled.
- 1.2 In line with the Public Sector Internal Audit Standards the Head of Internal Audit must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 1.3 To develop the risk-based plan, the Head of Internal Audit consults with senior management and the board and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The Head of Internal Audit must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems and controls.
- 1.4 In order to produce the Internal Audit plan the following information is taken into account:
 - Corporate Risk Register;
 - Corporate Plan;
 - Key Financial Systems;
 - Grant Claims that require Internal Audit certification;
 - Follow-up reviews;
 - Audit reviews that are carried forward from the previous audit plan;
 - Discussions with the Senior Leadership Team, including the Chief Executive, Section 151 officer and other senior officers.
- 1.5 The Public Sector Internal Audit Standards require a risk-based audit plan to be produced to cover the Council's overall control environment including risk, governance and internal controls as far as practicable.
- 1.6 The consideration of the sources of information noted above, supports Internal Audit to achieve the following:

- Comply with the Public Sector Internal Audit Standards in compiling the draft annual Audit Plan;
 - Enable Audit Committee to monitor the adequacy of the risk management framework and the associated control environment of the Council for 2020-21 based on the audit reviews set out in the draft Annual Audit Plan; and
 - Enables the Head of Internal Audit to form an opinion on the risk, governance and internal controls of the organisation.
- 1.7** The draft audit plan for 2020-21 was due to be presented to Audit Committee in March 2020 however the COVID-19 outbreak delayed the planning process as significant new risks and ways of working had to be considered to inform the Plan.

2. Key Issues for Consideration

- 2.1** Urgent decisions were made in March 2020 in relation to how council services would need to operate in light of the pandemic and emergency arrangements were put in place around decision making and governance, in case they were needed, and normal Council and Committee meetings were suspended.
- 2.2** In order to maintain continuity of service wherever possible, the Council moved extremely quickly to equip as many of its office-based staff with mobile technology to enable home-working within a very short timescale. Where roles for staff diminished as a result of reduced volumes of work or services not being delivered, opportunities for temporary redeployment were actively sought and implemented.
- 2.3** As a result of the significant changes to the way the Council was and is operating it has been necessary to re-evaluate the original draft plan to develop a revised Risk Based Plan for 2020-21.
- 2.4** The items identified in the original plan following the various consultation meetings held in January to March 2020 (prior to COVID-19) were included as a basis for this revised plan alongside an assessment of risk at that time. An updated assessment of risk as a result of COVID-19 has also been undertaken.
- 2.5** It is recognised that there will be a different emphasis due to the impact of COVID-19. Risks arising from COVID-19, availability of audit and service staff and challenges arising from the remote ways of working will all have an impact. The revised plan is also more flexible than usual to be able to respond to changing circumstances and events that may occur such as a second wave/outbreaks, ability to access staff and evidence or requests to respond to new issues that may emerge.
- 2.6** Internal Audit work will be undertaken remotely using video conferencing (e.g. Microsoft Teams/Skype) and digital solutions as a basis for meetings and sharing

documents and data. There is a need to learn what works and what does not work as an approach in an iterative and proportionate way to take account of pressures on particular services and individuals whilst conducting our work.

- 2.7 The proposed plan at Appendix A will offer sufficient coverage to be able to provide an opinion at the end of 2020-21 having regard to the unprecedented impact caused by the pandemic.
- 2.8 The Audit Committee will receive updates on how the plan is being delivered and any changes that may be required in light of the experience of working in completely different circumstances and environment.

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.
- 3.2 The Annual Risk Based Plan contains audit reviews that will be service specific and that will assist in understanding how those services undertake the five ways of working and deliver the well-being objectives.

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

Vale of Glamorgan Council - Proposed Audit Plan 2020-21

| Directorate | Area | Audit Scope / Risk |
|-----------------------|---|--|
| Cross Cutting | Annual Governance Statement 2019-20 | The completion of the Council's Annual Governance Statement, submission to Audit Committee and included with the Draft Statement of Accounts 2019-20 (including the Governance Assurance Statements from Corporate Officers and Senior Management. Deadline date June 2020. |
| | Annual Governance Statement 2020/21 | To make preparations for the production of the AGS for 2020/21 |
| Cross Cutting | Safeguarding | This review will include an annual assessment of the Council's overall operating model for safeguarding; including reviewing the adequacy of assurances obtained by the Council in respect of safeguarding arrangements in place for vulnerable adults and children particularly having regard to the impact of COVID19. |
| Cross Cutting | 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. |
| Cross Cutting | Purchasing Cards | To provide assurance that the Council's guidance for purchasing cards is sufficient and there is compliance to these policies and procedures across the Council |
| Cross Cutting | Risk Management | Successful risk management relies on a corporate approach to ensure that all risks are identified and managed systematically and consistently across the Council and any new risks due to COVID19 have been considered. |
| Cross Cutting | COVID - Remote Working | Increase in remote working due to COVID19 - impact on governance and internal control arrangements using a questionnaire |
| Environment & Housing | SRS Joint Service | 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 2019-20 Financial Year. |
| Environment & Housing | Contract Monitoring | To provide assurance that during negotiation and settlement of contract disputes / final payments there is adherence to Council's policies and procedure including CPR and PCoP. |
| Environment & Housing | Tender Evaluation & Award | To undertake a review of the procedures and processes associated with a number of Contracts and compliance to the Council's Rules and Regulations focusing on tender and award of contracts also having regard to any impact COVID19 has had to these processes. |
| Environment & Housing | SRS Joint Service | Undertake a service specific compliance review - area to be confirmed |
| Learning & Skills | Schools | To undertake a number of school based reviews as well as cross cutting thematic reviews in accordance with the Internal Audit risk based assessment. |
| Learning & Skills | School CRSA | To undertake the annual controlled risk self – assessment for schools. The aim of the process is 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. |
| Learning & Skills | School deficits | To review the monitoring processes both within the school and between the school and LA to ensure that deficit balances are sufficiently monitored and the recovery plan is achievable |
| Learning & Skills | Catering Company | To provide assurances on the operation of the Catering Company. |
| Learning & Skills | ALN - Out of County Charges | To provide assurance that monitoring of expenditure is adequate |
| Learning & Skills | Youth Services | Compliance to Council's policies and procedures |
| MD & Resources | Material Systems – Key Financial Systems | A rolling programme of audits is adopted for material systems. The work programme for each year may differ, with each audit having varying amounts of system review, testing or a combination of the two to deliver a more cost-effective service. The new arrangements adopted due to COVID19 will be examined to provide assurance that controls are still in place. |
| MD & Resources | Payroll | Review starters and leavers, changing records / data |
| MD & Resources | Members Code of Conduct | Review of compliance of Members to the Council's Code of Conduct |
| MD & Resources | 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. |
| MD & Resources | ICT Audit | In consultation with ICT, systems reviews will be undertaken across Directorates to ensure robust controls are evident and operating effectively including the control and distribution of ICT equipment since the increase of home working since the outbreak of COVID19 |
| MD & Resources | Procurement | This audit will review the procurement framework and a sample of individual procurement activities across the Council in order to evaluate the level of compliance with legislation and the Council's Constitution. |
| MD & Resources | Disabled Facilities Grants | To review the process and payments in regard to grants paid to applicants |

| Directorate | Area | Audit Scope / Risk |
|-----------------|--|---|
| Social Services | 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. |
| Social Services | Flying Start | To provide assurance that the Council's policies and procedures are complied with |
| Social Services | Partnership Working | To review the governance arrangements in place to ensure the Council is correctly represented in regard to the Regional Emergency Duty Team |
| Social Services | Direct Payments Follow Up | To follow up on the previous limited report to ensure improvements have been made to the control environment |
| Social Services | Complaints & Representation Follow Up | To follow up on the previous limited report to ensure improvements have been made to the control environment |
| Social Services | Contract & Commissioning Follow Up | To follow up on the previous limited report to ensure improvements have been made to the control environment |
| Cross Cutting | Audit Committee / Member and CMT Reporting | This allocation covers 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. |
| Cross Cutting | Compliance – expenses / mileage claims | Review of expenses / mileage claims submitted which are over three months old. Ongoing throughout the year. |
| Cross Cutting | 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. |
| Cross Cutting | Advice & Guidance | 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. |
| Cross Cutting | 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 |
| Cross Cutting | Compliance with PSIAS | Review compliance with the Public Sector Internal Audit Standards. |
| Cross Cutting | Carry Forward from 2019-20 | Provision for those assignments which are still ongoing at the end of 2019-20. |
| Cross Cutting | Closure of reports - 2019/20 | To finalise all draft reports outstanding at the end of 2019-20. |
| Cross Cutting | Follow up Reports | To ensure that all limited assurance reports are followed up in a timely manner |
| Cross Cutting | Recommendation Monitoring | Monitoring the implementation of Internal Audit recommendations in consultation with service areas which have received these recommendations. |
| Cross Cutting | Annual Opinion Report 2019-20 | To prepare and issue the Head of Audit's Annual Opinion Report 2019/20. |
| Cross Cutting | Annual Opinion Report 2020-21 | Preparation for the production of the 2020-21 Annual Opinion Report |
| Cross Cutting | Audit Planning 2020 - 21 | To prepare and present the annual risk based audit plan for 2020/21. |
| Cross Cutting | Audit Planning 2021 - 22 | To prepare and present the annual risk based audit plan for 2021/22. |
| Cross Cutting | External Audit Liaison | To ensure that a "managed audit" approach is followed in relation to the provision of internal and external audit services. |
| Cross Cutting | 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. Matches will include business grants made available due to COVID19 |
| Cross Cutting | Fraud / Error / Irregularity | Irregularity Investigations - Reactive work where suspected irregularity has been detected. |
| Cross Cutting | Fraud / Error / Irregularity | Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud. |
| Cross Cutting | Emerging Risks / unplanned | To enable Audit Services to flexibly respond to provide assurance activity as required. |