

Meeting of:	<b>Governance and Audit Committee</b>
Date of Meeting:	<b>Tuesday, 20 July 2021</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Annual Internal Audit Report 2020-21
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 Governance and Audit Committee of the work and performance of Internal Audit for the Financial Year 2020-21.
Report Owner:	Head of the Regional Internal Audit Service
Responsible Officer:	Head of Finance & Section 151 Officer
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"> <li>• 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 Governance and Audit Committee of the work and performance of Internal Audit for the Financial Year 2020-21. This information is provided to comply with the Public Sector Internal Audit Standards.</li> <li>• Appendix A contains the Internal Annual Internal Audit Report 2020-21 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.</li> <li>• From the work undertaken during the financial year 2020/21 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 2020-21 is reasonable assurance.</li> <li>• The actual outturn against the 2020/21 risk-based plan is attached at Annex B.</li> </ul>	

- Whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to the new ways of working brought about by the pandemic. Audits have taken longer in some instances due to responses to draft reports being delayed where services have been under pressure.

## **Recommendation**

1. That members of the Governance and Audit Committee give due consideration to the Annual Internal Audit Report for the Financial Year 2020-21 including 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.

## **Reason for Recommendation**

1. To keep the Governance and 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:
  - o Include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
  - o Present a summary of the audit work undertaken;
  - o Draw attention to any issues that may impact on the level of assurance provided;
  - o Provide a summary of the performance for the service;
  - o 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 considers 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 draft audit plan for 2020-21 was due to be presented to Audit Committee in April 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. The 2020-21 Internal Audit Plan was therefore approved on the 24th September 2020. The plan recognised that there would 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. The approved plan was also more flexible to be able to respond to changing circumstances and events that may occur during the year as a result of the pandemic.

- 1.4** 2020-21 has seen the Covid-19 pandemic have a major impact on how the Council has had to operate and the governance arrangements and processes that were put in place to ensure it could continue to support residents and businesses during this difficult and challenging year.
- 1.5** Covid-19 also changed how audit work was carried out in 2020-21 and all staff have worked from home for the year. Audits have been conducted remotely using various digital solutions, holding remote meetings, sharing of screens, and sending of data and evidence electronically.
- 1.6** Whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to the new ways of working. Audits have taken longer in some instances due to responses to draft reports being delayed where services have been under pressure.

## **2. Key Issues for Consideration**

- 2.1** The Internal Audit Annual Report is at Appendix A which summaries the reviews undertaken during 2020-21 including any counter fraud work, the recommendations made and any control issues identified. A total of 30 reviews were completed with an audit opinion and a total of 80 medium recommendations made. A detailed breakdown is included at Annex 1 of the appendix. 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.
- 2.2** Progress against the 2020-21 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, Fraud and Irregularity work and External Audit liaison. 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.
- 2.3** Annex 2 illustrates that most planned audit reviews have been undertaken during 2020-21 despite the pandemic and the impact that has had on service demands as well as the impact of adapting to remote working. Although the pandemic did have some impact on the delivery of the internal audit plan for 2020-21 the level of Internal Audit coverage was sufficient for the Head of Audit to be able to give an opinion. Where planned work has not been undertaken, assurance has been gained where possible from other sources such as previous work and coverage in other audits. Some planned reviews were not undertaken during the year following requests from services that were under intense pressure; these will be considered in the 2021-22 plan. In addition, two audits started in 2020-21 will be completed during 2021-22.

- 2.4** Taking into account the results of the internal audit reviews completed during 2020-21, 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 2020-21 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.
- 2.5** 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 2020-21 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, but effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

### **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



# ANNUAL INTERNAL AUDIT REPORT

2020/2021

C. M. Thomas MAAT, CPFA  
Head of Regional Internal Audit Service  
June 2021

## Annual Internal Audit Report 2020/21

**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 2020/21 has seen the Covid-19 pandemic have a major impact on how the Council has had to operate and the governance arrangements and processes that were put in place to ensure it could continue to support residents and businesses during this difficult and challenging year.
- 1.3 Covid-19 also changed how audit work was carried out in 2020/21 and all staff have worked from home for the year. Audits have been conducted remotely using various digital solutions, holding remote meetings, sharing of screens, and sending of data and evidence electronically.
- 1.4 Whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to the new ways of working. Audits have taken longer in some instances due to responses to draft reports being delayed where services have been under pressure. It is likely that the audit service will continue to be delivered remotely for the foreseeable future with an element of office based/face to face working introduced over time when restrictions allow.
- 1.5 The 2020/21 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. Factors that were taken into account due to the impact of COVID-19 included risks arising from the pandemic and an emphasis being placed on looking at changed or new processes and governance arrangements introduced as part of every audit.
- 1.6 Other factors taken into account included potential availability of audit and service staff and challenges arising from the remote ways of working. The plan was also more flexible than usual to be able to respond to changing circumstances and events that may have occurred such as a second wave/outbreaks, pressures on services, the ability to access staff and evidence or requests to respond to new issues that may emerge.
- 1.7 The Internal Audit Service is delivered through the expanded shared service that came into existence on 1<sup>st</sup> 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).

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- 1.8 The service reports to the four Governance & 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 2020/21

- 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

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

### 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 2020/21**

Opinion	Follow Ups	Financial Systems	Other Audit Reviews	Grant Verification	Total	%
Substantial	1	0	3	1	5	17%
Reasonable	2	3	14	2	21	70%
Limited	3	0	1	0	4	13%
No Assurance	0	0	0	0	0	0%
<b>Total</b>	<b>6</b>	<b>3</b>	<b>18</b>	<b>3</b>	<b>30</b>	<b>100%</b>



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- 2.3 Table 1 illustrates that a total of 30 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 6 reviews (17%) and an opinion of reasonable to 21 reviews (70%). The remaining 4 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 2020/21 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, 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.
- 2.6 **Annex 2** illustrates that the majority of planned audit reviews have been undertaken during 2020/21 despite the pandemic and the impact that has had to demands on services as well as the adoption of remote working. Where planned work has not been undertaken, assurance has been gained where possible from other sources such as previous work and coverage in other audits. Some planned reviews were not undertaken during the year due to requests from services that were under intense pressure, these will be considered in the 2021/22 plan whilst 2 audits have started and will be completed during 2021/22.
- 2.7 Therefore although the pandemic did have some impact on the delivery of the internal audit plan for 2020-21 the level of Internal Audit coverage was sufficient for the Head of Audit to be able to give an opinion.

**Section 3 – Limited Reports - Control Issues**

- 3.1 Table 1 illustrates that 4 reviews identified control issues which meant that only limited assurance could be provided. These are detailed below:
- 3.2 **All Saints Primary School Follow Up**  
A follow up review at this school was undertaken. The previous audit report issued in March 2020 gave limited assurance and 16 recommendations were made to improve the internal controls within the school. This follow up audit has revisited the original recommendations to identify if any improvements have been made. It is recognised that, due to the pandemic, schools were under extreme pressures however, from the audit work undertaken, very little progress had been made. The main areas of concern were regarding the composition and membership of the School's Governing Body and therefore the governance arrangements of the

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school. A meeting was held with the Chair of Governors and Head Teacher and all the recommendations were discussed and an action plan for implementation was agreed. The progress made will be reviewed before the summer break.

### 3.3 Youth Services

The objectives of the audit were to provide assurance that the financial systems and controls are effective, efficient and comply to the Council's policies and procedures, paying attention to any changes made because of COVID-19. The audit work undertaken identified some key issues in respect of internal processes and procedures not always being compliant with Financial Procedure Rules, gaps in inventory and asset monitoring and excessively high i-expenses claims being made to reimburse staff for purchases incurred for young people. All recommendations have been discussed and agreed and progress will be examined in a future follow up review.

### 3.4 Direct Payments Follow Up

In June 2018, a no assurance audit report was issued. Two subsequent follow up audits in January 2019 and September 2019 found little improvement had been made, many recommendations remained outstanding and limited assurance opinions were given to the existing control environment. The purpose of this review was to examine the current working practices to identify the progress made to improve the controls and mitigate the risks that have previously been identified. This audit identified that whilst some improvements have been made several remain outstanding, partly due to the COVID19 pandemic hindering progress. However, all outstanding recommendations have been accepted and are due to be fully implemented by June 2021 when a further audit review will be undertaken.

### 3.5 ICT Business Continuity

A follow up audit review of ICT Business Continuity was undertaken as part of the 2020/21 annual Internal Audit Plan. This area has previously been audited and limited assurance reports were issued in both December 2018 and February 2020. Since the issuing of the last report there has been the Covid-19 pandemic which has led to significant changes in the Council's ICT approach, increasing resilience with a higher number of staff now able to access the network remotely from home and use video conferencing facilities. However, in respect of ICT business continuity, the key issues previously identified remain outstanding and the recommendations remain outstanding.

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## Section 4 – Recommendations – 2020/21

- 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.

**Table 2 – Analysis of Recommendations Made**

Recs.	Follow Ups	Financial Systems	Other Audit Reviews	Grant Verification	Total	%
High	0	0	0	0	0	0%
Medium	28	2	48	2	80	100%
<b>Total</b>	28	2	48	2	80	100%

- 4.2 Table 2 illustrates that a total of 80 medium recommendations have been made to improve the control environment of the areas reviewed during 2020/21. 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 The implementation of the 80 significant / medium priority recommendations, which have all been accepted, is monitored by Internal Audit.
- 4.4 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 6 potential fraud or irregularity matters were referred directly to Internal Audit for review during 2020/21. 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
Primary School - Financial Information Review	n/a	n/a	n/a
Whistleblowing - FOI Request Issue	n/a	n/a	n/a
Whistleblowing - Contracted and timesheet hours	n/a	√	n/a
Complaint Dinas Powys	n/a	n/a	n/a
Contract Award - Lessons to be Learnt	n/a	n/a	n/a
Council mobile phone left in taxi	n/a	n/a	n/a
<b>Total providing an overall assurance opinion (1)</b>	<b>0</b>	<b>1</b>	<b>0</b>

- 5.2 Table 3 illustrates that 5 of the 6 referrals to Internal Audit were fact finding exercises and no audit opinion was provided. Reports were presented to Managers to consider the next course of action, such as disciplinary action. One matter resulted in an audit being undertaken to review the systems in place, a reasonable assurance audit report was issued, and recommendations were made accordingly. Two other matters listed above also resulted in recommendations being made to improve the existing controls and these are included in Table 2.
- 5.3 The National Fraud Initiative is also included in our audit plan. A data matching exercise began in September 2018 and the matches were released in January 2019. The exercise was concluded in September 2020. The review of these data matches resulted in 152 frauds or errors being identified; a total of £101,047 being identified as potential fraud or error with £95,617 being recoverable.
- 5.4 A new bi-annual NFI data matching exercise started in October 2020 when data was extracted and forwarded to the NFI. Internal Audit together with the Investigation Officer facilitates the upload of data, user account management and provides assistance and advice to officers reviewing the data matches.
- 5.5 A separate report will be presented to the Governance & Audit Committee in relation to Corporate Fraud including the detailed results of the National Fraud Initiative.

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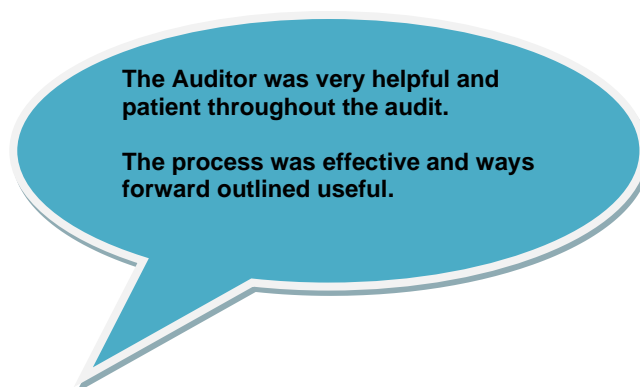
## Section 6 – Key Performance Measures – Client Satisfaction Questionnaires

- 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.



- 6.3 The number of returned questionnaires has reduced in recent years however a mechanism to automate the chase up of responses is included within the new Internal Audit Software that is being implemented during 2021/22.

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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 successfully completed the Chartered Institute of Public Finance and Accountancy (CIPFA) qualification and is now a fully qualified accountant. Another member of staff is working towards the Chartered Institute of Internal Auditors Certified Internal Auditor qualification which consists of 3 modules. To date two modules have been successfully completed.
- 7.3 Staff are also encouraged complete on-line courses to develop their skills and networking opportunities. Listed below are a number of training courses that staff have completed during 2020/21: -
- ISACA Webinars – various IT /digital subjects
  - Assert Yourself training
  - Cyber Security
  - Change Management
  - Digital Literacy
  - Freedom of Information
  - Conflict Resolution
  - Safeguarding Children and Adults
  - Data Protection Essentials

**Section 8 – Key Performance Measures – Benchmarking**

- 8.1 The Internal Audit Service participates annually in the Welsh Chief Auditors Group (WCAG) benchmarking exercise. The results for 2019/20 and 2020/21 are illustrated in Table 4 below:

**Table 4 – Performance Data**

Performance Indicator	Performance RIAS VOG Team 2020/21	WCAG Average Performance 2020/21	Performance RIAS VOG Team 2019/20	WCAG Average Performance 2019/20
% of Planned Audits Completed	73%	67%	90%	74%
% of Audits Completed in Planned Time	80%	75%	56%	69%
% of clients responses at least satisfied	100%	100%	n/a	99%
% of recommendations accepted versus made	99%	100%	100%	100%

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- 8.2 It should be noted that 16 of the 22 Councils returned their performance figures for 2020/21 representing a return rate of 73%.
- 8.3 Overall for 2020/21 73% of the audit plan was completed, a total of 41 assignments were planned during the year of which 30 for were completed. 80% of audits were completed within planned time during 2020/21.
- 8.4 Although not all work planned for was undertaken during the year, Internal Audit management ensured that coverage was given to appropriate areas including requests to undertake specific additional work. Where risk profiles changed during the year, Internal Audit responded accordingly.
- 8.5 The PI's illustrate that the performance within the Vale of Glamorgan Team is still comparable to the average performance despite the challenges of Covid and remote working.

**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 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 2020/21.

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**Section 10 – Regional Internal Audit Service Progress**

- 10.1 As stated above in Section 1 the expanded shared service came into existence on 1<sup>st</sup> 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 The vision for the service is 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 and 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
- 10.5 A new staffing structure has been developed and agreed. Consultation with the Trade Unions and staff has commenced and will continue over the summer. It is envisaged that staff will be matched to posts in September allowing recruitment to vacant posts to commence shortly after.
- 10.6 Covid has had a major impact on how audit work has been carried out in 2020/21 and all staff have worked remotely for the year. Audits have been conducted remotely using various digital solutions, remote meetings, sharing of screens and sending of data electronically.
- 10.7 Whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to the new ways of working. Audits have taken longer in some



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instances due to responses to draft reports being delayed where services have been under pressure. It is likely that the audit service will continue to be delivered remotely for the foreseeable future with an element of office based/face to face working introduced over time when restrictions allow.

- 10.8 A new Audit Software solution was procured in 2020. Intensive work has taken place to set up the system, train the staff and to determine and agree consistent working practices and methodologies across the Service including new report format and consistent terminology. The new approach is being rolled out from April 2021.
- 10.9 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.

## Section 11 - Opinion Statement 2020/21

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 and Cash Control) or generally in the reviews undertaken in respect of directorate systems.

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 2020/21 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 31<sup>st</sup> March 2021
- 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

### 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. It is regularly reviewed and challenged by both senior management and the Audit Committee. A Risk Management audit was undertaken during 2020/21 and concluded that the Council's arrangements for risk management were well defined and consistently applied. Areas of good practice were identified and only a few merits attention recommendations were made for advisory purposes.

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 Remote Working questionnaires issued Council wide.

Although governance issues were identified in one school an overarching audit of central school governance arrangements including sample testing of schools provided assurance that the issues identified were unique to the one school.

With that exception, no other 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 30 reviews culminating in an overall opinion have been completed, 26 (87%) of which have been closed with either a substantial or reasonable assurance opinion level. 4 reviews (13%) 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.

### **Head of Internal Audit Opinion Statement 2020/21**

From the work undertaken during the financial year 2020/21 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 2020-21 is:

#### **“Reasonable Assurance”**

The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year, 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.

As described the way the Council has had to operate during 2020-21 has been severely affected by the COVID 19 pandemic. Many staff have worked remotely, and systems & processes have had to be adjusted to cater for the new ways of working. Similarly, Internal Audit has worked remotely, conducting audits and obtaining evidence digitally. Each audit has considered the potential impact of COVID 19 and remote working to ensure adequate controls and governance arrangements remained in place.

The pandemic did have some impact on the delivery of the internal audit plan for 2020-21 and a limited number of audits were deferred due to the pressures on some service areas. These audits will be carried out in 2021-22. The Internal Audit coverage was still sufficient for the Head of Audit to be able to give an opinion.

The recommendations made to improve governance, risk management and control have been accepted and are at various stages of implementation.

Annual Internal Audit Report 2020/21

Annex 1 – Audits Completed with an Opinion & Recommendations 2020/21

Audit	Opinion			Recommendations	
	Substantial	Reasonable	Limited	High	Medium
Bus Service Support Grant (BSSG)		√			2
Education Improvement Grant 2019/20		√			0
Housing Support Grant 2019-20	√				0
Purchasing Cards		√			8
Risk Management		√			0
COVID - Remote Working		√			0
SRS Joint Service	√				1
All Saints School Follow Up			√		16
Stanwell Payroll Follow Up	√				0
School Purchasing Cards		√			1
School Governance		√			7
School Risk Assessment		√			0
School deficits		√			2
Catering Company		√			3
ALN - Out of County Charges		√			5
Youth Services			√		6
Income Collection Cash Control		√			2
Creditors		√			0
Debtors		√			0
Payroll		√			2
Members Code of Conduct	√				0
Adoption Service	√				1
Flying Start		√			0
Direct Payments Follow Up			√		6

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Audit	Opinion			Recommendations	
	Substantial	Reasonable	Limited	High	Medium
Complaints & Representation Follow Up		√			0
Effectiveness of Audit Committee		√			1
C/F C1V Software Application		√			2
School Budget Monitoring Follow Up		√			1
ICT Business Continuity Follow Up			√		5
Primary School - Financial Information Review					2
Whistleblowing - Freedom of Information Request Issue					1
Whistleblowing - Contracted and timesheet hours		√			6
<b>Total Audits providing an overall assurance opinion (30)</b>	<b>5</b>	<b>21</b>	<b>4</b>		<b>80</b>

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Annual Governance Statement 2019-20	The completion of the Council's AGS (including the Governance Assurance Statements from Corporate Officers and Senior Management). Deadline date June 2020.	completed					
Annual Governance Statement 2020/21	To make preparations for the production of the AGS for 2020/21	completed					
Safeguarding	This review will include an annual assessment of the Council's overall operating model for safeguarding; reviewing the adequacy of assurances obtained by the Council in place for vulnerable adults and children particularly having regard to the impact of COVID19.	carried forward					
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
	Education Improvement Grant 2019/20	completed		√			0
	Housing Support Grant 2019-20	completed	√				0
	Post 16 Grant 2019-20	completed					
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	completed		√			8
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.	completed		√			0
COVID - Remote Working	Increase in remote working due to COVID19 - impact on governance and internal control arrangements using a questionnaire	completed		√			0
SRS Joint Service	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.	completed	√				1
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.	to be undertaken 2021/22					
Tender Evaluation & Award - Building Services	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.	carried forward					
Tender Evaluation & Award - Visible Services	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.	to be undertaken 2021/22					
SRS Joint Service	Undertake a service specific compliance review - area to be confirmed	not undertaken					
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.						
	All Saints School Follow Up	completed			√		16
	Stanwell Payroll Follow Up	completed	√				0
	School Purchasing Cards	completed		√			1
	School Governance	completed		√			7

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
School Risk Assessment	To review 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 particularly during the pandemic.	completed		√			0
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	completed		√			2
Catering Company	To provide assurances on the operation of the Catering Company.	completed		√			3
ALN - Out of County Charges	To provide assurance that monitoring of expenditure is adequate	completed		√			5
Youth Services	Compliance to Council's policies and procedures	completed			√		6
Material Systems – Key Financial Systems	A rolling programme of audits is adopted for material systems. The new arrangements adopted due to COVID19 will be examined to provide assurance that controls are still in place.						
	Income Collection Cash Control	completed		√			2
	Free School Meals	not undertaken					
	Creditors	completed		√			0
	Debtors	completed		√			0
Payroll	Review starters and leavers, changing records / data	completed		√			2
Members Code of Conduct	Review of compliance of Members to the Council's Code of Conduct	completed	√				0
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 2021/22					
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	aspects included in individual audits and questionnaires					
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.	aspects included in individual audits and questionnaires					
Disabled Facilities Grants	To review the process and payments in regard to grants paid to applicants	to be undertaken 2021/22					
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
Flying Start	To provide assurance that the Council's policies and procedures are complied with	completed		√			0
Partnership Working	To review the governance arrangements in place to ensure the Council is correctly represented in regard to the Regional Emergency Duty Team. Joint work with Cardiff Council	to be undertaken 2021/22					
Direct Payments Follow Up	To follow up on the previous limited report to ensure improvements have been made to the control environment	completed			√		6
Complaints & Representation Follow Up	To follow up on the previous limited report to ensure improvements have been made to the control environment	completed		√			0
Contract & Commissioning Follow Up	To follow up on the previous limited report to ensure improvements have been made to the control environment	not undertaken at request of Chief Officer					
Audit Committee / Member and SLT 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.						
	Effectiveness of Audit Committee	completed		√			1



Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Compliance – expenses / mileage claims	Review of expenses / mileage claims submitted which are over three months old. Ongoing throughout the year.	ongoing - since the 1st April 2020, 155 claims have been reviewed.					
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.	ongoing - 51 exemptions / waivers have been agreed.					
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.						
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	techniques used to analyse data in various audits					
Compliance with PSIAS	Review compliance with the Public Sector Internal Audit Standards.	completed					
Carry Forward from 2019-20	Provision for those assignments which are still ongoing at the end of 2019-20. C/F C1V Software Application	completed		√			2
Closure of reports - 2019/20	To finalise all draft reports outstanding at the end of 2019-20.	completed					
Follow up Reports	To ensure that all limited assurance reports are followed up in a timely manner						
	School Budget Monitoring Follow Up	completed		√			1
	ICT Business Continuity Follow Up	completed			√		5
Recommendation Monitoring	Monitoring the implementation of Internal Audit recommendations in consultation with service areas which have received these recommendations.	completed					
Annual Opinion Report 2019-20	To prepare and issue the Head of Audit's Annual Opinion Report 2019/20.	completed					
Annual Opinion Report 2020-21	Preparation for the production of the 2020-21 Annual Opinion Report	completed					
Audit Planning 2020 - 21	To prepare, present and monitor the annual risk based audit plan for 2020/21.	completed					
Audit Planning 2021 - 22	To prepare and present the annual risk based audit plan for 2021/22.	completed					
External Audit Liaison	To ensure that a "managed audit" approach is followed in relation to the provision of internal and external audit services.						
Emerging Risks / unplanned	To enable Audit Services to flexibly respond to provide assurance activity as required.						
	Primary School - Financial Information Review	completed					2
	Whistleblowing - Freedom of Information Request Issue	completed					1
	Whistleblowing - Contracted and timesheet hours	completed		√			6
	Homelessness	to be undertaken 2021/22					
	Complaint Dinas Powys	completed					
	Contract Award - Lessons to be Learnt	completed					
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	ongoing and subject to separate reporting					
Fraud / Error / Irregularity	Irregularity Investigations - Reactive work where suspected irregularity has been detected.						
	Council mobile phone left in taxi	fact finding report issued					
Fraud / Error / Irregularity	Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud.	completed					
	<b>Overall Totals</b>		<b>5</b>	<b>21</b>	<b>4</b>	<b>0</b>	<b>80</b>