

Meeting of:	<b>Governance and Audit Committee</b>
Date of Meeting:	<b>Monday, 13 June 2022</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Annual Internal Audit Annual Report
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 .
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 2021/22. This information is provided to comply with the Public Sector Internal Audit Standards.</li> <li>• Appendix A contains the Internal Annual Internal Audit Report 2021/22 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 2021/22 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 of reasonable assurance.</li> </ul>	

- The actual outturn against the risk-based plan is attached at Annex B.
- Audit work has been carried out remotely with staff predominantly working from home. Audits have been conducted using various digital solutions and whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to this way of working.

## **Recommendation**

1. That members of the Governance and Audit Committee give due consideration to the Annual Internal Audit Report for the Financial Year 2021/22 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.

## **Reasons 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:
  - Include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.
  - 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 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 2021/22 was approved by the Governance and Audit Committee in July 2021. The approved plan was flexible to be able to respond to changing circumstances and events that may occur during the year as a result of the pandemic and the remote ways of working.

Audit work has been carried out remotely during the year with staff predominantly working from home. Audits have been conducted using various digital solutions and whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to this way of working.

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

- 2.1** The Internal Audit Annual Report is at Appendix A which summaries the reviews undertaken during 2021/22, the recommendations made and any control issues identified. A total of 37 reviews were completed with an audit opinion and a total of 182 recommendations made. A detailed breakdown is included at Annex 1 of this 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 2021/22 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 many planned audit reviews have been undertaken during 2021/22 despite the continuing impact the pandemic has had 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 2022-23 plan whilst one audit has started and will be completed during 2022-23.
- 2.4** Based on the testing of the effectiveness of the internal control environment an audit opinion of substantial assurance has been given to 4 reviews (11%) and an opinion of reasonable to 27 reviews (73%). The remaining 6 (16%) have been given an audit opinion of limited, that is only limited assurance can be placed on the current systems of internal control. Whilst this is a slightly higher number and percentage than previous years there does not appear to be any indication of any particular pattern or connection from these reviews or wider underlying concerns.
- 2.5** Taking into account the results of the internal audit reviews completed during 2021/22, 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 2021/22 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.

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 2021/22 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

2021/22

C. M. Thomas MAAT, CPFA  
Head of Regional Internal Audit Service  
June 2022

## Annual Internal Audit Report 2021/22

**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 Covid-19 pandemic continued to have an impact on how the Council has operated and the governance arrangements and processes in place to ensure it could continue to support residents and businesses during the year.
- 1.3 Audit work has been carried out remotely with staff predominantly working from home. Audits have been conducted using various digital solutions and whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to this way of working. It is likely that the audit service will largely continue to be delivered remotely with an element of office based/face to face working as required.
- 1.4 The 2021/22 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. The plan had regard to the continuing impact caused by the pandemic and the changes that have been made to the way the Council is operating.
- 1.5 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 flexible 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.
- 1.6 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).
- 1.7 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.

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## Section 2 – Summary of Reviews Undertaken 2021/22

- 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:

Table 1 - Audit Assurance Category Code	
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

**Table 2 – Audit Opinion Given to Completed Audit Reviews 2021/22**

Opinion	Follow Ups	Financial Systems	Other Audit Reviews	Grant Verification	Total	%
Substantial			2	2	4	11%
Reasonable	3	1	20	3	27	73%
Limited	1		3	2	6	16%
No Assurance					0	0%
<b>Total</b>	<b>4</b>	<b>1</b>	<b>25</b>	<b>7</b>	<b>37</b>	<b>100%</b>

- 2.3 Table 2 illustrates that a total of 37 reviews have been given an audit opinion. A detailed list of these is at **Annex 1**.



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- 2.4 Based on the testing of the effectiveness of the internal control environment an audit opinion of substantial assurance has been given to 4 reviews (11%) and an opinion of reasonable to 27 reviews (73%). The remaining 6 (16%) 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 The final position against the 2021/22 approved audit plan is attached at **Annex 2**. This details the status of each planned review, the audit opinion and the number of any high, medium or low 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, fraud and irregularity work, audit planning and recommendation monitoring. 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 many planned audit reviews have been undertaken during 2021/22 despite the continuing impact the pandemic has had 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 2022/23 plan whilst one audit has started and will be completed during 2022/23.
- 2.7 Therefore 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 2 illustrates that 6 reviews (16%) identified control issues which meant that only limited assurance could be provided. Whilst this is a slightly higher number and percentage than previous years there does not appear to be any indication of any particular pattern or connection from these reviews or wider underlying concerns. These reviews are detailed below:
- 3.2 **Tender Evaluation & Award - Building Services**  
The purpose of the audit was to provide assurance on the adequacy and effectiveness of the internal control, governance and risk management arrangements in respect of tender evaluation & award process within Building Services. The testing identified elements of good practice in one service area including the use of Sell2Wales for invitations to tender, good document management and correct approval. However, it was also identified that improvements were needed across the service to ensure that the Council and Officers are not open to challenge. Recommendations included providing training to staff on the procurement processes, that Finance, Procurement and Legal colleagues should be involved at certain stages of the process to provide advice, documentation should be checked to ensure consistency and be retained. All

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recommendations have been agreed and a further audit will be undertaken to ensure that progress is being made.

**3.3 Direct Payments Follow Up**

This audit was to provide assurance on the adequacy and effectiveness of the internal control, governance, and risk management arrangements in respect of the direct payments process within Social Services. The previous audit undertaken in December 2020 resulted in a limited assurance opinion and 6 recommendations were made and accepted to improve the control environment and mitigate risk. The purpose of this review was to examine the progress that had been made. Unfortunately, although some progress had been made, 4 of the 6 medium priority recommendations were still outstanding. Improvements in respect of financial monitoring of non-managed accounts was still required and current working practices within the team need to be reviewed and updated to ensure they are fit for purpose. The delays in implementation of the agreed recommendations were recognised by the Service who aim to complete the agreed work and a further audit will be undertaken to ensure this is undertaken.

**3.4 Enable Grant Verification 2019/20**

This grant from Welsh Government exists to support the delivery of adaptations to support independent living and required an audit certificate to certify that entries were fairly stated. The audit opinion was limited as the deadline for submission of the certificate was exceeded by 11 months due to an oversight within the service. In addition, the relevant documentation was not readily available to enable the verification work to be completed. However, the original deadline was during the initial Covid pandemic (September 2020) which impacted on the capacity of the service area. Recommendations were agreed and the audit of the 2020/21 Enable Grant also undertaken during 2021/22 found that improvements had already been made.

**3.5 Disabled Facilities Grants (DFG's)**

This audit reviewed policies and procedures, applications process, budgetary control and the allocation and completion of work to provide assurance on the adequacy and effectiveness of the internal control, governance, and risk management arrangements. Although areas of good practice were identified the audit identified some key issues. The implementation of a new monitoring system had been delayed and there had been a high turnover of staff; therefore recommendations to update policies and guidance to applicants and staff, to implement the new system as well as to consider the potential impact on budgets and staff that changes, due to be made to the DFG criteria, will have on the service.

**3.6 Ysgol Gymraeg Bro Morgannwg - Stock Control**

The school submitted an insurance claim for missing i-pads and therefore an audit was undertaken to seek assurance that prevention methods had been implemented to mitigate further losses. Recommendations were made to improve the stock control processes including a more robust asset management procedure including regular stock checks, security markings on expensive or desirable items and lock changes. All recommendations were accepted and implemented.

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**3.7 Payment Card Industries - Data Security Standards (PCI-DSS) Compliance**

To demonstrate compliance towards PCI DSS standards, the Council needs to complete and return an annual Self-Assessment Questionnaire and an Attestation of Compliance. Although the Council have made positive steps to ensure compliance, one element, which was reliant on an external provider, remained non-compliant as it is reliant on a system upgrade which is due 2022.

**Section 4 – Recommendations – 2021/22**

- 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 a management action plan and following each audit report recipients are asked to complete the action 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, these ratings being High, Medium and Low.

**Table 3 – Recommendation Categorisation**

Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results. The criticality of each recommendation is as follows:

<b>High Priority</b>	Action that is considered imperative to ensure that the organisation is not exposed to high risks.
<b>Medium Priority</b>	Action that is considered necessary to avoid exposure to significant risks.
<b>Low Priority</b>	Action that is considered desirable and should result in enhanced control.

- 4.2 Management are asked to provide feedback on the status of each recommendation once the target date for implementation has expired. The implementation of these recommendations is monitored using MK Insight internal audit software to ensure improvements are being made.

**Table 4 – Analysis of Recommendations Made During 2021/22**

Rating	Follow Ups	Financial Systems	Other Audit Reviews	Grant Verification	Total	%
High	0	0	2	1	3	2%
Medium	9	1	58	10	78	43%
Low	9	6	82	4	101	55%
<b>Total</b>	<b>18</b>	<b>7</b>	<b>142</b>	<b>15</b>	<b>182</b>	<b>45%</b>

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- 4.3 Table 4 illustrates that a total of 182 recommendations have been made to improve the control environment of the areas reviewed during 2021/22. 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.

### Section 5 – Counter Fraud Work

- 5.1 A total of 5 potential fraud or irregularity matters were referred directly to Internal Audit and the Investigation Officer for review during 2021/22. 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 4 below.

**Table 5 - Counter Fraud & Corruption Work**

<b>Counter Fraud &amp; Corruption Work</b>
Covid Grants - Validity of claims
Covid Grants - Benefits & DWP Issues
Grant Funding - Validity of an application
Schools - Insurance Claim
Complaint - FOI Request Issue

- 5.2 Table 5 illustrates that all referrals during 2021/22 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 in respect of the insurance claim resulted in an audit being undertaken to review the systems in place. As mentioned in 3.6 above a limited assurance audit report was issued, and recommendations were made accordingly.
- 5.3 The National Fraud Initiative is also included in our audit plan. A data matching exercise began in October 2020 and the matches were released in January 2021. Internal Audit together with the Investigation Officer facilitated the upload of data, user account management and provides assistance and advice to officers reviewing the data matches. The review of these data matches in 2021/22 resulted in 553 frauds or errors being identified; a total of £229,769 being identified as potential fraud or error with £228,173 being recoverable. The Cabinet Office calculate these matches result in projected savings of £813,942, this is a notional figure which illustrates the costs that may be avoided in the future.
- 5.4 The results of the National Fraud Initiative will be included within the Annual Corporate Fraud Report which will also be presented to the Governance & Audit Committee.

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

- 6.1 The Internal Audit Service uses MK Insight (Internal Audit software) 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 areas covered are below:

No	Question
<b>Audit Planning</b>	
1	Were you satisfied with the notice given prior to the commencement of the Audit?
2	Were you adequately consulted with in respect of the nature, scope and objectives of the Audit?
<b>Audit Fieldwork</b>	
3	Was the audit fieldwork undertaken in a timely manner, with minimum disruption to service delivery?
4	Was a summary of the audit findings adequately explained to you following completion of the audit fieldwork and prior to the issue of the draft report?
<b>Audit Report</b>	
5	Did you find the recommendations within the report fair and accurate?
6	Were you adequately consulted and given sufficient opportunity to comment on the Draft Report?
7	Do you feel the recommendations within your report will be of value to you as a Manager?
8	Were you happy that the format of the Report was clear, concise and easy to read?
9	How do you rate the timeliness of the issue of the Final Report?
<b>Conduct of the Auditor</b>	
10	Were the auditor(s) generally helpful throughout the audit and offer appropriate assistance and/or advice (if applicable)?
11	How do you assess the Auditor(s) in terms of professionalism, helpfulness and politeness?
<b>Overall</b>	
12	How would you rate the usefulness of the audit?

- 6.2 This was the first year that the internal audit software was used to issue client questionnaires. The return rate was low, with only 29% returned. This is an area where the Service will look to improve and will explore the MK Insight audit software to introduce a follow up process where surveys have not been returned, allowing potential development areas to be identified and service improvements made where necessary.
- 6.3 The returned surveys however have confirmed satisfaction with the audit approach, the service provided and the conduct of the Auditors. It is pleasing that the average rate of satisfaction is 97%. In addition to the above questions, the client also has an opportunity to make comments within the Client Satisfaction Questionnaire. Set out below is an example that has been received during the period.

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A very beneficial process to undertake, thank you.

Good to have an independent review of the subject area.

The Auditor was fantastic and very informative and helpful.

Very useful... contracts usually involve large sums of public funding and its reassuring for the service area to have an independent evaluation that supports the effectiveness of the work we were doing and actions (as an outcome of the report) should be seen as positive.

## 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 Internal Auditors, Certified Internal Auditor qualification during the year and another member of staff is working towards this qualification.
- 7.3 In addition, the member of staff who completed the full professional qualification of the Chartered Institute of Public Finance & Accountancy(CIPFA) last year has, during this year, successfully gained full membership.
- 7.3 Staff are also encouraged complete on-line courses to develop their skills and networking opportunities. Listed below illustrate the range of training courses that staff have completed during 2021/22: -
- Data Protection – Refresher
  - Diversity & Inclusion
  - ISACA Webinars – various IT /digital subjects
  - Fire Safety
  - Agile Working and Working from Home
  - Conflict Resolution
  - Decision Making
  - Introduction to Internal Auditing

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## 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 2020/21 are illustrated in Table 5, the information for 2021/22 is awaited.

**Table 5 – Performance Data**

Performance Indicator	Performance RIAS VOG Team 2021/22	WCAG Average Performance 2021/22	Performance RIAS VOG Team 2020/21	WCAG Average Performance 2020/21
% of Planned Audits Completed	71%		73%	67%
% of Audits Completed in Planned Time	78%		80%	75%
% of clients responses at least satisfied	100%		100%	100%
% of recommendations accepted versus made	99%		99%	100%

- 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 2021/22, 71% of the audit plan was completed, a total of 53 assignments were planned during the year of which 37 for were completed. 78% of audits were completed within planned time during 2021/22.
- 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.

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**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 external assessment is due in 2022 and will be undertaken shortly. No areas of non-compliance that would affect the overall scope or operation of the Internal Audit activity were identified at that time and the assessment noted that there were no significant deviations from the Standards.
- 9.4 Whilst improvements have been made to working practices and more sophisticated audit software is now in use and remote working is common place, no significant changes have occurred from the perspective of the standards since the Regional Internal Audit Service was set up in April 2019. As a result, the Service continues to conform to the Standards during 2021/22.

**Section 10 – Regional Internal Audit Progress**

- 10.1 The expanded shared service came into existence on 1<sup>st</sup> April 2019, it 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:



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- 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 During 2021/22 staff were matched to posts within the new agreed staffing structure. Recruitment to the remaining vacant posts then commenced and this resulted in several internal promotions as well as some external appointments. The recruitment process will continue during 2022/23 until all posts are filled including recruiting Graduate Auditors who will be supported to become professionally qualified.

10.6 A tender exercise was undertaken during 2021/22 to establish a framework agreement for the provision of an Internal Audit service to be used when required to supplement the existing in-house provision when required. This was a successful exercise and a framework agreement is now in place for the next 3 years.

10.6 Audit work has been carried out remotely with staff predominantly working from home. Audits have been conducted using various digital solutions and whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to this way of working. It is likely that the audit service will largely continue to be delivered remotely with an element of office based/face to face working as required.

10.8 The new audit software solution was successfully implemented and used by all staff for the 2021/22 audit plan. This has ensured consistency in approach and style of reporting across the Regional Internal Audit Service. Ongoing development will continue to ensure maximum use of the improved functionality and reporting tools.

10.9 The longer-term success of the Regional Internal Audit 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. A draft roadmap has been produced during 2021/22 which will be firmed up once all the vacancies have been filled.

## Section 11 - Opinion Statement 2021/22

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. Revenues and Benefits) 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 2021/22 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 2022
- 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 which is regularly reviewed and challenged by senior management. Detailed reports are also provided quarterly to the Governance & 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. During 2021/22 risk management was considered as part of every audit rather than one specific audit being undertaken.

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.

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 37 reviews culminating in an overall opinion have been completed, 31 (84%) of which have been closed with either a substantial or reasonable assurance opinion level. 6 reviews (16%) 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 2021/22**

From the work undertaken during the financial year 2021/22 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 2021-22 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 2021-22 is still 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 remote working to ensure adequate controls and governance arrangements remained in place.

The pandemic, remote working and vacant posts did have some impact on the delivery of the internal audit plan for 2021-22 however, 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 2021/22

Annex 1 – Audits Completed with an Opinion & Recommendations 2021/22

Audit	Opinion			Recommendations		
	Substantial	Reasonable	Limited	High	Medium	Low
Compliance to the Employees Code of Conduct / Declaration of Interest		√			1	
Safeguarding		√			2	3
Remote Working		√			3	4
FOI System Follow Up		√			1	1
Tender Evaluation & Award - Building Services			√	2	7	2
Tender Evaluation & Award - Neighbourhood Services & Transport		√			3	1
SRS Joint Service		√			1	5
Contract Monitoring - Building Services		√			2	4
Pothole Repairs		√			5	6
Bus Services Support Grant 2020/21		√			2	
Illegal Money Lending 2020/21	√					1
Housing Support Grant 2020/21	√					1
Building Compliance		√			7	1
Performance Management		√				1
Ysgol Gymraeg Bro Morgannwg - stock control			√		2	4
All Saints Primary Follow Up		√			1	5
School Inventories		√			1	1
School Private Funds		√			1	1
School Risk Assessment		√				1
Regional Consortia School Improvement Grant 2020/21		√			1	
Youth Services Follow Up		√			2	1
Catering Company		√			2	

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Audit	Opinion			Recommendations		
	Substantial	Reasonable	Limited	High	Medium	Low
Cashiers		√			1	3
Revenues & Benefits - Appeals, Complaints & Performance		√			1	6
Treasury Management	√					4
Early Retirement / Redundancy	√				1	1
DBS Process		√			1	10
PCI – DSS (Payment Card Industries – Data Security Standards)			√		2	4
Cyber Security		√			6	3
Disabled Facilities Grants			√		5	1
Enable Grant 2019/20			√	1	1	
Enable Grant 2020/21		√			1	1
Planning Applications and Appeals		√			4	9
Building Control		√			5	4
Direct Payments Follow Up			√		5	2
Adoption Service		√			1	4
Support for Carers		√				6
<b>Total Audits providing an overall assurance opinion (37)</b>	<b>4</b>	<b>27</b>	<b>6</b>	<b>3</b>	<b>78</b>	<b>101</b>

**Vale of Glamorgan Council - Activity Against Audit Plan 1st April 2021 to 31st March 2022**

Area	Audit Objective, Scope / Risk	Status	Opinion			Recommendations		
			Substantial	Reasonable	Limited	High	Medium	Low
Carry Forward from 2020-21	Provision for those assignments which are still ongoing at the end of 2020-21.							
	Safeguarding	complete		√			2	3
	Tender Evaluation & Award - Building Services	complete			√	2	7	2
Closure of reports - 2020/21	To finalise all draft reports outstanding at the end of 2020-21.	complete						
Follow up Limited Assurance Reports	To ensure that all limited assurance reports are followed up in a timely manner							
	FOI System Follow Up	complete		√			1	1
	All Saints Primary Follow Up	complete		√			1	5
	Youth Services Follow Up	complete		√			2	1
	Direct Payments Follow Up	complete			√		5	2
Recommendation Monitoring	Monitoring the implementation of Internal Audit recommendations in consultation with service areas which have received these recommendations.	complete						
Annual Governance Statement 2020-21	The completion of the Council's Annual Governance Statement included with the Draft Statement of Accounts 2020-21.	complete						
Annual Governance Statement 2021/22	To make preparations for the production of the AGS for 2021/22	complete						
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.	assurance from c/fwd work completed Aug 2021						
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 Services Support Grant 2020/21	complete		√			2	
	Illegal Money Lending 2020/21	complete	√					1
	Enable 2019/20	complete			√	1	1	
	Enable 2020/21	complete		√			1	1
	Regional Consortia School Improvement Grant 2020/21	complete		√			1	
	Regional Developer Coordinator Grant	complete						
	Housing Support Grant 2020/21	complete	√					1
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	assurance taken from 20/21 internal audit report						
Remote Working	Remote working impact on governance and internal control arrangements using the feedback from the questionnaire - focus on ICT equipment and inventories	complete		√			3	4
Building Compliance	To provide assurance that schools and social care buildings are compliant with statutory safety guidelines	complete		√			7	1
Pool Cars	To identify if the current fleet of pool cars is still economically advantageous since the introduction of home working.	not undertaken						
Performance Management	To review the performance management arrangements paying particular attention to the accuracy of the PI information collected and reported	complete		√				1
General Data Protection Regulations (GDPR)	This audit will review whether the Council has an effective control framework in place for ensuring that personal information that is gathered is only used for the purpose for which it was originally intended.	aspects included in various individual audits						
SRS Joint Service	To provide assurance to the SRS Board on the systems and processes in place in respect of the overall control environment including governance, risk management and internal control for the 2020/21 Financial Year.	complete		√			1	5
SRS Joint Service	Undertake a service specific compliance review - area to be confirmed	not undertaken						
Contract Monitoring - Building Services	To provide assurance that during negotiation and settlement of disputes there is adherence to Council's policies and procedure including CPR and PCoP.	complete		√			2	4

Area	Audit Objective, Scope / Risk	Status	Opinion			Recommendations		
			Substantial	Reasonable	Limited	High	Medium	Low
Tender Evaluation & Award - Neighbourhood Services & Transport	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.	complete		√			3	1
Pothole Repairs	To ensure that the controls surrounding the pot holes repair processes are operating satisfactorily and are in compliance with the Council's Financial & Contract Procedure Rules. Review the effectiveness and efficiency of the contracts to ensure the Council is achieving value for money	complete		√			5	6
Waste	To ensure that any external funding is being spent in compliance to the specific criteria as well as in compliance with the Council's Financial & Contract Procedure Rules and PCop	to be undertaken 2022/23						
Housing	To provide assurance on the control environment of the rent setting and collection processes	self assessment questionnaire completed						
Housing Repairs	To review the systems and processes in operation surrounding Building Services responsive repairs to provide assurance on the adequacy of the control environment.	to be undertaken 2022/23						
Homelessness	To undertake any specific work identified as a result of the homelessness review being undertaken by the Scrutiny task & finish group	not undertaken						
Civil Enforcement	Compliance to Council's policies and procedures	to be undertaken 2022/23						
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.							
	Ysgol Gymraeg Bro Morgannwg - stock control	complete			√		2	4
	Inventories	complete		√			1	1
	School Private Funds	complete		√			1	1
School Risk Assessment	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.	complete		√				1
Catering Company	To provide assurances on the operation of the Big Fresh Catering Company.	complete		√			2	
School Admissions	To ensure all processes and procedures are in place and operating effectively	to be undertaken 2022/23						
Material Systems – Key Financial Systems	A rolling programme of audits is adopted for material systems whereby the work programme for each year may differ, with each audit having varying amounts of system review, testing or a combination of the two. This approach enables us to deliver a more cost-effective service, whilst providing sufficient assurance as to the adequacy of the Council's material system control environment.							
	Cashiers	complete		√			1	3
	Revenues & Benefits - Appeals, Complaints & Performance	complete		√			1	6
	Treasury Management	complete	√					4
Capital Programme & Project Management	A review of this area will be undertaken to provide assurance that the Capital Programme remains on track and that slippage is accounted for, reported and regularly monitored.	to be undertaken 2022/23						
Early Retirement / Redundancy	Provide ensure transparency and assurance that Council's policies are adhered to	complete	√				1	1
Payroll	overtime, honorarium, enhancements etc	to be undertaken 2022/23						
DBS	To provide assurance that DBS checks are in place for all posts that have been identified as requiring one	complete		√			1	10
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.	complete			√		2	4
ICT Audit	ICT systems reviews will be undertaken across Directorates ICT systems to ensure robust controls are evident and operating effectively.	aspects included in various individual audits						



Area	Audit Objective, Scope / Risk	Status	Opinion			Recommendations		
			Substantial	Reasonable	Limited	High	Medium	Low
Cyber Security	To provide assurance of the measures in place to mitigate the risk of cyber fraud	complete		√			6	3
Oracle	To ensure that changes made to processes as the result of the implementation of the new cloud based system are effective and efficient	to be undertaken 2022/23						
Procurement	Review current processes and practices to ensure that they are reasonable, effective and efficient in the current economic landscape identifying any best practice across the other Authorities within the Regional Service, including the review of FPN's.	carried forward						
Insurance	To provide assurance that the service is operating efficiently and effectively	to be undertaken 2022/23						
Disabled Facilities Grants	To review the process and payments in regard to grants paid to applicants	complete			√		5	1
Planning Applications and Appeals	To provide assurance on the control environment in respect of processes, decision making and fees and charges	complete		√			4	9
Building Control	To provide assurance on the control environment in respect of processes, decision making and fees and charges	complete		√			5	4
Property Services	To review the process and procedures in place in respect of commercial and consultancy Services provided	to be undertaken 2022/23						
Adoption Service	A compliance review to complete the Annual Accounting Statement	complete		√			1	4
Regional Emergency Duty Team	To review the governance arrangements in place to ensure the Council is correctly represented. Collaborative work with Cardiff Council.	not undertaken						
Support for Carers	Carers' Assessments & Payments	complete		√				6
WCCIS	Ensure robust controls are in place and operating effectively	to be undertaken 2022/23						
Childrens Services	Review the process, system and recording in place at the point of initial contact. Approach from a system point of view – initial contact to assessment.	not undertaken, assurance from CSIW						
Governance & Audit Committee / Member and SLT Reporting	This allocation covers Member reporting procedures, mainly to the Governance & Audit Committee, plan formulation and monitoring, and regular reporting to, and meeting with, the Section 151 Officer, SLT and the RIAS Board.							
Compliance – expenses / mileage claims	Review of expenses / mileage claims submitted which are over three months old. Ongoing throughout the year.	Since the 1st April 2021, 194 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.	75 waivers have been requested and 66 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						
External Audit Liaison	To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.							
Annual Opinion Report	To prepare and issue the Head of Audit's Annual Opinion Report 2020/21.	complete						
	Preparation for the production of the 2021/22 Annual Opinion Report	complete						
Audit Planning	To prepare and present the annual risk based audit plan for 2021/22.	complete						
	To prepare and present the annual risk based audit plan for 2022/23.	complete						
Compliance with PSIAS	Review compliance with the Public Sector Internal Audit Standards.	complete						

Area	Audit Objective, Scope / Risk	Status	Opinion			Recommendations		
			Substantial	Reasonable	Limited	High	Medium	Low
Emerging Risks / unplanned	To enable Audit Services to flexibly respond to provide assurance activity as required.	complete						
	Compliance to the Employees Code of Conduct / Declaration of Interest			√			1	
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.	Reported within Annual Fraud Report						
Fraud / Error / Irregularity	Irregularity Investigations - Reactive work where suspected irregularity has been detected.	complete						
Fraud / Error / Irregularity	Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud.							
<b>Overall Totals</b>			<b>4</b>	<b>27</b>	<b>6</b>	<b>3</b>	<b>78</b>	<b>101</b>