



GOVERNANCE AND AUDIT COMMITTEE

2.00 PM - FRIDAY, 23 APRIL 2021

VIA MICROSOFT TEAMS

PART 1

1. Welcome and Roll Call
2. Chair Announcements
3. Declarations of Interest
4. Minutes of Previous Meetings (*Pages 3 - 12*)
5. 2021 Audit Plan – Neath Port Talbot Council (*Pages 13 - 30*)
6. Terms of Reference (*Pages 31 - 34*)
7. Internal Audit Update (*Pages 35 - 46*)
8. Internal Audit Plan for the period - 1 April 2021 - 31 March 2022 (*Pages 47 - 70*)
9. Urgent Items
Any urgent items at the discretion of the Chairman pursuant to Section 100B(4)(b) of the Local Government Act 1972.
10. Access to Meetings
That pursuant to Section 100A(4) and (5) of the Local Government Act 1972, the public be excluded for the following items of business which involved the likely disclosure of exempt information as defined in Paragraph 12 and 15 of Part 4 of Schedule 12A of the above Act.

PART 2

11. Higher Risk Ratings (Pages 71 - 76)

K.Jones
Chief Executive

Civic Centre
Port Talbot

16 April, 2021

Committee Membership:

Chairperson: Councillor J.D.Morgan

**Vice
Chairperson: Councillor L.M.Purcell**

Members: Councillors H.C.Clarke, O.S.Davies,
S.E.Freeguard, J.Jenkins, J.Miller, R.Mizen,
S.Renkes, A.J.Richards, R.L.Taylor, R.W.Wood
and A.N.Woolcock

**Voting
Lay Member:** J.Jenkins

AUDIT COMMITTEE

(Remotely via Teams)

Members Present: **11 January 2021**

Chairperson: **Councillor J.D.Morgan**

Vice Chairperson: **Councillor L.M.Purcell**

Councillors: J.Miller, R.W.Wood, O.S.Davies, A.N.Woolcock, A.J.Richards, H.C.Clarke, S.Renkes, R.Mizen and R.L.Taylor

Officers In Attendance: C.Griffiths, H.Jones, A.O'Donnell and N.Headon

Representing Audit Wales: G.Gillett and K.Harvard

Voting Lay Member: J.Jenkins

1. MINUTES OF PREVIOUS MEETING

RESOLVED: That the Minutes of the meeting held on 14 September 2020, be approved.

2. LOCAL AUTHORITY ELECTIONS WALES BILL 2020

Members received an update on the Local Government and Elections (Wales) Bill 2020 and how it would impact on the Council.

Officers explained that a Member's Seminar would take place during the next few months this would explain the various elements going forward and would present the Action Plan officers were currently working on as to how the council would implement the new measures.

It was highlighted that there were some specific provisions in respect of Audit Committee, an overview of the changes were detailed in the circulated report. It was noted that there was no firm date as to

when the changes would be implemented, but Members would be kept informed.

Committee Members were requested to keep the Voting Lay Member of Audit Committee informed of any changes.

RESOLVED: That the report be noted

3. **AUDIT WALES - VERBAL UPDATE**

Members received a verbal update from Audit Wales.

In terms of Audit Wales Plans:-

- Financial Audit was on-going
- It was anticipated that the audit of Housing Benefits would be completed by the 31 January 2021 deadline.
- Audit Planning had started on the Councils 2021 Statement of Accounts.
- Audit deadlines could be pushed back to September 2021, Audit Wales were in discussion with Welsh Government as to the flexibility of time.
- In terms of Performance Audit Work, the work included in the 2020 Audit Plan had largely been completed, some areas were still being worked on.
- The review of Corporate Performance Management System the draft output was issued during December 2020.
- Workforce Planning review was underway.
- Financial Sustainability Phase 2 work building on work undertaken in 2020 was about to commence and the Assurance and Risk Assessment Project was scheduled to be feedback to Corporate Directors during February 2021.
- The audit work completed during 2020 was being summarised in the Annual Audit Summary report which was currently in draft.

National reports recently published included:

- Providing Free School Meals during Lockdown (published November 2020).
- Covering Teachers Absence, follow up from work done previously (published November 2020).

- Welsh Community Care information system (published October 2020)
- National Fraud Initiative (NFI) in Wales 2018/2020 (published October 20), this also included a NFI self-appraisal checklist, which would help officers leading NFI work.
- Work on the Financial Sustainability of Local Government (published October 2020) along with the Commercialisation in Local Government Report (published October 2020).

It was highlighted that plans were being kept under regular review taking into account audit priorities.

RESOLVED: That the verbal update was noted.

4. **AUDIT WALES LETTER TO AUDITED BODIES**

Members received an update from Audit Wales on the letter to all Audited Bodies from Auditor General for Wales outlining our data analytics ambitions and asking for audited bodies support, as detailed in the circulated report.

Members questioned whether officers agreed with the statement made in the letter that the new approach would save time and effort, officers responded that in terms of saving time and effort they would need before commenting.

A discussion took place around data and storage, Audit Wales explained that Audit Wales had a data warehouses hosted in the cloud in Ireland. In terms of data ingestion and changing systems, there were no expectations that Local Authorities would be required to change systems, there were many systems in Local Government and Audit Wales would be working with those systems to ensure Local Authorities could provide the information required.

Audit Wales went onto explain they were looking at the data analytics route to help us provide audit opinions and to provide data informatics to give the public more information on data presented.

Officers highlighted that the council would require a data sharing agreement if the data was used for any specific purposes.

RESOLVED: That the Audit Wales Letter to Audited Bodies, be noted.

5. **AUDIT COMMITTEE ANNUAL REPORT 2019/2020**

Members received an overview of the Audit Committee Annual Report 2019/2020, as detailed in the circulated report.

RESOLVED: That approval be granted to forward the Annual Report 2019/2020 to Council.

6. **INTERNAL AUDIT PROGRESS REPORT**

The Committee received an overview of the Internal Audit Progress Report for work undertaken since the last Audit Committee during September 2020, as detailed in the circulated report.

Officers highlighted that during the period when Council meetings were suspended all Urgency Actions tested conformed with the Urgency Action Protocol.

Members were happy with the progress of all internal audit work which had been undertaken.

RESOLVED: That the report be noted.

7. **TREASURY MANAGEMENT MONITORING 2020/2021**

The Committee received the Treasury Management Monitoring 2020/2021 information as detailed in the circulated report.

RESOLVED: That the report be noted.

8. **ACCESS TO MEETINGS**

RESOLVED: that pursuant to Section 100A(4) and (5) of the Local Government Act 1972, the public be excluded for the following items of business which involved the likely disclosure of exempt information as defined in Paragraphs 12, 13 and 14 of Part 4 of Schedule 12A to the above Act.

9. **HIGHER RISK RATING AUDITS**

Members received an update on all audits undertaken since the Audit Committee meeting held during September 2020, which had a risk rating of 3, 4 or 5 applied and all special investigations, as detailed in the private circulated report.

RESOLVED: That the report be noted.

10. **ATTEMPTED CHEQUE FRAUD**

Members were provided with an update, as detailed in the private circulated report.

RESOLVED: That the report be noted.

CHAIRPERSON

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SPECIAL AUDIT COMMITTEE

(Remotely via Teams)

Members Present:

15 March 2021

Chairperson: Councillor L.M.Purcell

Councillors: H.C.Clarke, O.S.Davies, S.E.Freeguard,
J.Miller, R.Mizen, S.Renkes, A.J.Richards,
R.L.Taylor, R.W.Wood and A.N.Woolcock

Officers In Attendance: K.Jones, C.Griffiths, H.Jones, A.O'Donnell and
N.Headon

Representing Audit Wales: G.Gillett

1. **DECLARATION OF INTEREST**

The following Member made a declaration of interest at the commencement of the meeting.

Councillor O.S.Davies - Re: External Independent Governance Review, as he is a family member. He considered the declaration as prejudicial and left the meeting before the start of the item.

2. **GOVERNANCE REVIEW**

The Chief Executive thanked Audit Committee for attending at short notice.

The Chief Executive explained that the meeting had been called in order to give assurance regarding actions that had been taken and to give Members an opportunity to ask questions regarding the commissioned review, as detailed in the circulated Terms of Reference (Appendix 1 of the report).

It was noted that the Chief Executive was unable to discuss the case itself as the investigation of the matter was now being dealt with by the Public Services Ombudsman, but would take questions on the Terms of Reference.

Members questioned the communication with the community affected by school reorganisation within the Swansea Valley. The Chief Executive explained that a decision had been taken to delay the issuing of the report and a timetable was currently being put together, when completed this would be reported back to Members and members of the public.

The Chief Executive explained that the review had been commissioned last week and was currently underway. The reviewers were expecting to produce a report by mid-April, but this would be dependent on findings. It was highlighted that investigations were on the current processes and systems that the Council has in place in relation to each of the items in the Terms of Reference.

Members commented that the Chief Executive had acted correctly and the proposed way forward was the correct one.

Members questioned if it would be beneficial to hold a seminar/ training session as a refresher for all Members on current protocols. The Chief Executive agreed that it was something that could be considered. It would be worth waiting for the outcome of the case in order to establish if there were any changes that the reviewers recommended to the Council, although if there were any specific matters Members felt they would like as refresher training session in the near future this would be considered.

A discussion took place regarding individuals undertaking the review. The Chief Executive explained that the review would be led by Rod Alcott who had extensive experience with corporate governance reviews and he would be assisted by Jack Straw. The Chief Executive went on to explain there had been work around the Regional Partnership Board that Jack Straw had been involved with and that he had also worked in a number of authorities. The Chief Executive highlighted that there was no reason to believe it was inappropriate for Jack Straw to be involved in the review, and that he was recommended by the Welsh Local Government Association as someone who would be an appropriate person to support this, but if Members had any concerns to inform the Chief Executive.

Members stated that they were not questioning the professionalism of Jack Straw and were content to support his involvement.

Members questioned whether there was a possibility of a public inquiry. It was noted that a public inquiry was not something that the Council had the power to invoke. That would be a matter for Government. If Members required details on how the process worked they should speak to the Head of Legal Services.

RESOLVED: That the Audit Committee received the Terms of Reference for the external independent review and noted that the report setting out the findings of the review would be presented to the Audit Committee in due course.

CHAIRPERSON

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2021 Audit Plan – Neath Port Talbot Council

Date issued: April 2021

Document reference: 2336A2021-22

This document has been prepared as part of work performed in accordance with statutory functions.

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2021 Audit Plan

About this document

- 1 This document sets out the work I plan to undertake during 2021 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

My duties

- 2 I complete work each year to meet the following duties.

Audit of financial statements

- 3 Each year I audit Neath Port Talbot Council's (the Council) financial statements to make sure that public money is being properly accounted for.

Value for money

- 4 The Council has to put in place arrangements to get value for money for the resources it uses, and I have to be satisfied that it has done this.

Continuous improvement

- 5 Under the Local Government (Wales) Measure 2009 (the Measure) the Council has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Council is likely to (or has) met these requirements. Some requirements of the Measure will cease during 2021-22 due to changes in legislation arising from the Local Government and Elections (Wales) Act 2021. However, I anticipate that during 2021-22 I will still be required to audit the Council's published assessment of its performance that covers the 2020-21 year.

Sustainable development principle

- 6 Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

Impact of COVID-19

- 7 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the 2020-21 accounts and my financial audit and performance audit work.
- 8 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement and anticipated sickness absence levels are expected to ease through 2021. However, I recognise that there remains significant uncertainty and I understand that many local authorities may not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of my statutory responsibilities as the Auditor General, my priority is to ensure the health, safety and wellbeing of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 9 Audit Wales staff will continue to work flexibly to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.
- 10 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector mean that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with the authority as the 2021 position becomes clearer.

Audit of financial statements

- 11 It is my responsibility to issue a certificate and report on the financial statements. This includes:
 - an opinion on the on the 'truth and fairness' of the Council's financial statements for the financial year ended 31 March 2021; and
 - an assessment as to whether the Council's Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Council.
- 12 In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:
 - certifying a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts;

- responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
- the independent examination of the Welsh Church Act Trust Fund;
- the independent examination of Margam Joint Crematorium Committee; and
- the certification of a number of grant claims and returns as agreed with the funding bodies.

- 13 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
- 14 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 15 There have been no limitations imposed on me in planning the scope of this audit.
- 16 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

Audit of financial statements risks

- 17 The following table sets out the significant risks I have identified for the audit of the Council.

Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
Significant risks	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases;

Audit risk	Proposed audit response
Significant risks	
	<ul style="list-style-type: none"> • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Impact of COVID-19 The COVID-19 national emergency continues and the pressures on staff resources and of remote working may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>
<p>The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit. The Welsh Government has made available various funding streams to the Council. In some cases, these monies provide financial support to the Council itself. In other cases, the funds have been administered by the Council, making payments to third parties on behalf of the Welsh Government. The amounts involved are material to the accounts and there is a risk of incorrect accounting treatment for COVID-19 funding, ie principal or agency arrangements.</p>	<p>We will review the funding streams received from the Welsh Government and confirm the appropriate accounting treatment by the Council.</p>

Audit risk	Proposed audit response
Other audit risks	
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ arrangements amounted to unlawful discrimination.</p> <p>Consultations on proposed remedies for the Local Government, Police and Fire pensions schemes closed in October 2020. The Government recently announced that for unfunded schemes the underpin will be the deferred choice model for the remedy. No announcement has yet been made on the Local Government Pension Scheme. Final details are expected to be published during 2021.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>My audit team will review the provision previously made in relation to the McCloud judgement and monitor progress on the outcome of the consultation to be applied in the Local Government pension schemes.</p>

Other matters

- 18 There are two further matters on which my audit team will undertake early work in preparation for the 2021-22 audit.

Exhibit 2: other matters

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Other matters	
CIPFA/LASAAC has once again deferred the introduction of IFRS 16 until 1 April 2022. The authority will, however, need to undertake considerable work to identify leases, and the COVID-19 pandemic may pose implementation risks.	My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.
The Local Government and Elections Bill will shortly receive Royal Assent. Included in its provisions is the establishment of a Corporate Joint Committee (CJC) to deliver services currently provided by the authority.	My team will undertake an early review of the preparations the authority is making for accounting arrangements related to the transfer of services to the CJC.

Performance audit

- 19 In addition to my Audit of Financial Statements I also carry out a programme of performance audit work to discharge my duties as Auditor General as set out on **page 4** in relation to value for money and sustainable development.
- 20 In response to the pandemic, I have adopted a flexible approach to my performance audit work both in terms of topic coverage and methodology. My work on recovery planning, COVID-19 learning and my assurance and risk assessment work are examples of this. This has enabled me to respond to the fast-moving external environment and provide more real-time feedback in a range of formats.
- 21 For 2021-22, I intend to build on this approach to help enable my work to be responsive and timely, and where possible to share learning more quickly. As part of this approach, I anticipate that a significant proportion of my local performance audit programme will be delivered through the Assurance and Risk Assessment Project, that will be ongoing throughout the year.
- 22 Given the high degree of commonality in the risks facing councils at this time I also intend to deliver a number of thematic projects examining risks common to all councils.

- 23 I have consulted public bodies and other stakeholders on how I will approach my duties in respect of the Well-being of Future Generations (Wales) Act 2015. This consultation was extended due to the pandemic.
- 24 In my consultation I have set out and sought views on proposals to:
- a) continue to undertake specific examinations to assess the setting of well-being objectives and how steps are being taken to meet them, respectively;
 - b) integrate the examination of steps alongside value for money studies and local audit work, wherever possible; and
 - c) strengthen and expand the co-ordination of work with the Future Generations Commissioner.
- 25 I will be writing to the 44 public bodies designated under the Act setting out the results of the consultation and how I intend to approach this work over the reporting period 2020-2025.
- 26 In view of the above factors, I intend to retain a high degree of flexibility in my local performance audit programme at the Council and will continue to update the Council as the audit programme changes.
- 27 For 2020-21 this work is set out below.

Exhibit 3: Performance Audit Programme 2021-22

This table summarises the performance audit programme for 2021-22

Performance audit programme	Brief description
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Further details to follow.
Improvement reporting audit	Audit of discharge of duty to publish an assessment of performance.
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources. At Neath Port Talbot Council, the project is likely to focus in particular on:

Performance audit programme	Brief description
	<ul style="list-style-type: none"> • Financial position • Self-assessment arrangements • Recovery planning • Implications of the Local Government and Elections (Wales) Act • Carbon reduction plans.
Springing Forward – Examining the building blocks for a sustainable future	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.
Local Risk Project/s	To be confirmed.

Certification of grant claims and returns

28 I have been requested to undertake certification work on the Council's grant claims and returns as set out in **Exhibit 4**.

Exhibit 4: summary of grant claim certification work

This table summarises my 2020-21 programme of grant claim certification work.

Name of scheme	Annual expenditure /contributions	Significant issues identified
Housing Benefit Subsidy	£44,965,483	None
NDR Non-domestic rates return	£42,967,965	None

Name of scheme	Annual expenditure /contributions	Significant issues identified
Teachers' pensions return	£14,173,942	None

Statutory audit functions

- 29 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 30 As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

- 31 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed taking into account the impact of COVID-19, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 32 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

- 33 Your estimated fee for 2021 is set out in **Exhibit 5**. This is in line with your actual 2020 fee. Please note that this proposed fee currently remains subject to final moderation by the Auditor General.

Exhibit 5: audit fee

This table sets out the proposed audit fee for 2021, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	175,398	175,398
Performance audit work ³	99,310	99,310
Grant certification work ⁴	22,000	22,000
Other financial audit work ⁵	1,800	1,581
Total fee	298,508	298,289

34 Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.

35 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

36 The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

Exhibit 6: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director	02920 320651	derwyn.owen@audit.wales

¹ Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

² Payable November 2020 to October 2021.

³ Payable April 2021 to March 2022.

⁴ Payable as work is undertaken.

⁵ Margam Crematorium Joint Committee £1,000, Welsh Church Act Trust Fund £800.

Name	Role	Contact number	E-mail address
Huw Rees	Engagement Lead – Performance Audit	02920 320599	huw.rees@audit.wales
Gillian Gillett	Audit Manager (Financial Audit)	02920 320305	gillian.gillett@audit.wales
Kate Havard	Audit Lead (Financial Audit)	02920 829315	kate.havard@audit.wales
Non Jenkins	Audit Manager (Performance Audit)	02920 320595	non.jenkins@audit.wales
Justine Morgan	Audit Lead (Performance Audit)	02920 320567	justine.morgan@audit.wales

- 37 I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

- 38 The key milestones for the work set out in this plan are shown in **Exhibit 7**. As highlighted earlier, there may be a need to revise the timetable in the light of developments with COVID-19.
- 39 The Public Audit (Wales) Act 2004 provides electors with the right to ask questions and to make objections to the Authority's accounts to the Auditor General. The rights to ask questions and make objections at audit are linked to electors' rights to inspect the accounts that are also set out in the 2004 Act. The current COVID restrictions may impose restrictions on the Authority's ability to facilitate the inspection of accounts. Therefore, we have not yet set a date for the exercise of electors' rights and will continue to monitor the situation before confirming a date with you. We anticipate that we will be in a position to agree a date with you in late May 2021.

Exhibit 7: Audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	January – February 2021	March 2021
Audit of Financial statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements 	February – July 2021	July 2021 July 2021 (To be confirmed)
Performance audit work: <ul style="list-style-type: none"> • Annual Audit Summary • Well-being of Future Generations • Assurance and risk assessment • Thematic Work – Springing Forward – Examining the Building Blocks for a Sustainable Future • Local Projects – To be confirmed 	Timescales for individual projects will be discussed with you and detailed within the specific project briefings produced for each study.	
Grants certification work <ul style="list-style-type: none"> • Housing Benefit • Non-Domestic rates • Teachers' pension return 	September – December 2021	October – December 2021

Planned output	Work undertaken	Report finalised
Other financial audit work <ul style="list-style-type: none"> • Whole of Government accounts return • Welsh Church Acts Trust Fund independent examination • Margam Joint Crematorium Committee independent examination 	<p>To be confirmed</p> <p>October 2021</p> <p>July 2021</p>	<p>To be confirmed</p> <p>November 2021</p> <p>July 2021 (To be confirmed)</p>
Annual Audit Summary	N/A	December 2021
2022 Audit Plan	January – February 2022	March 2022



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

GOVERNANCE & AUDIT COMMITTEE

23rd April 2021

Report of the Head of Finance – Huw Jones

Matter for Information

Wards Affected:

All Wards

Terms of Reference

1. Purpose of the Report

The purpose of this report is to provide members with details of the terms of reference for this committee which were agreed at Council's Annual General Meeting on 17th March 2021.

2. Executive Summary

As members are aware the Local Government and Elections (Wales) Bill 2020 made amendments to the role of audit committees. Details of these changes were reported to members at the January 2021 Audit Committee. As at 1st April 2021 the Audit Committee became the Governance and Audit Committee and the role of the committee changed. The new terms of reference of this committee are attached as appendix 1 to this report.

3. Financial Impacts

No implications

4. Integrated Impact Assessment

There is no requirement to undertake an Integrated Impact Assessment as this report is for monitoring/information purposes.

5. Valleys Communities Impacts

No implications

6. Workforce Impacts

No implications

7. Legal Impacts

No implications

8. Risk Management Impacts

No implications

9. Consultation

There is no requirement for external consultation on this item

10. Appendices

Appendix 1 –Terms of Reference

List of Background Papers:

None

Officer Contact:

Huw Jones, Head of Finance

h.jones@npt.gov.uk

01639 763575

Anne-Marie O'Donnell, Audit Manager

am.odonnell@npt.gov.uk

01639 763628

Governance and Audit Committee

To discharge with delegated authority the following functions:-

- review and scrutinise the authority's financial affairs, including approval of the Annual Statement of Accounts;
- make reports and recommendations in relation to the authority's financial affairs;
- review and assess the risk management, internal control and corporate governance arrangements of the authority;
- make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements;
- oversee the authority's internal and external audit arrangements, including internal and external audit work plans, receive, review and make reports on audit work and performance;
- review the financial statements prepared by the authority.
- review and assess the authority's ability to handle complaints effectively and make reports and recommendations in relation to the authority's ability to handle complaints effectively



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

GOVERNANCE & AUDIT COMMITTEE

23rd April 2021

Report of the Head of Finance – Huw Jones

Matter for Information

Wards Affected:

All Wards

Internal Audit Update Report

1. Purpose of the Report

The purpose of this report is to provide details of the internal audit work undertaken since the last Audit Committee in January 2021.

2. Executive Summary

The team has been at full complement since February 2021 when the last team member returned from his redeployment to the Test, Trace & Protect (TTP) team. Appendix 1 of this report details the formal audit reports issued and appendix 2 gives details of progress against the plan.

Working from home has continued to be challenging not least because the majority of the team have young children and were therefore juggling

parental responsibilities with work. However this situation has improved with the return to school of all pupils. An additional pressure has been that not all records required to complete audits have been readily available due to working from home being in place across the Authority. This had led to delays and alternative methods of evidence being required which has inevitably led to audits taking longer to complete than anticipated.

3. Background

One of the terms of reference of this Committee is to 'monitor internal (and) external audit performance'. In order to comply with this requirement to monitor the in-house service, an update is given below outlining internal audit work undertaken since the January 2021 Audit Committee meeting.

In addition, information is provided for members on the current position regarding staffing issues within the team.

4. Audit Work Undertaken

A total of 14 formal reports have been issued in line with normal reporting processes. In addition to the audits undertaken staff have continued to provide advice and guidance when requested, attended working parties and provided input in relation to the controls operating within the new HR/Payroll IT system and the new Sundry Debtors IT system. Details of the audit reports issued and the Post Audit Reviews carried out are detailed below.

Reports Issued

VAT

Live Km Service Grant

Primary School Meal Income
Covid 19 Grant - 1st Grant for Business Wales
Covid 19 Grant - Childcare Provider Grant
Treasury Management Transactions
Covid 19 Grant - Non Domestic Rates Firebreak Grant
Covid 18 Grant - £500 payment to Care Workers
Sundry Debtors
Payroll
4 Private Items

Post Audit Reviews Undertaken

Financial Assessments –this was the 2nd review undertaken as due to lockdown not all of the recommendations had been addressed at the first review. All recommendations have now been completed.

5. Staffing

A total of 58 days have been lost to sickness since the committee meeting in January 2021. One team member remains on sick leave and is not expected back in work until mid-May. This sickness has impacted on achievement of the plan.

6. Financial Impacts

No implications

7. Integrated Impact Assessment

There is no requirement to undertake an Integrated Impact Assessment as this report is for monitoring/information purposes.

8. Valleys Communities Impacts

No implications

9. Workforce Impacts

No implications

10. Legal Impacts

No implications

11. Risk Management Impacts

The work of Internal Audit is key in relation to ensuring compliance with internal controls. This work forms part of the Council's overall risk management arrangements.

12. Consultation

There is no requirement for external consultation on this item

13. Appendices

Appendix 1 – Audit Reports Issued
Appendix 2 – Audit Plan Monitoring

14. List of Background Papers:

None

Officer Contact:

Huw Jones, Head of Finance

h.jones@npt.gov.uk

01639 763575

Anne-Marie O'Donnell, Audit Manager

am.odonnell@npt.gov.uk

01639 763628

Appendix 1 – Published Reports

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
R25	VAT Head of Finance	Generally good controls were found to be in place which will be further strengthened by the implementation of the agreed recommendations.	2
R26	Live Km Service Grant 19/20 Head of Engineering & Transport	The grant terms had been complied with and the amount claimed was correct.	1
R27		Private Item	
R28	Primary School Meal Income Head of Participation	All school meal income was properly accounted for. There was a minor discrepancy of 0.43% between the number of meals recorded in the schools and the number held on the central IT system, this was likely due to the provision of packed lunches during the initial lockdown period.	1
R29		Private Item	
R30		Private Item	
R31	Covid 19 Grant – Business in Wales	Very good controls were in place. A total of 300 grants were sampled (10% of the total number paid) to ensure that the	1

Appendix 1 – Published Reports

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
	Director of Finance & Corporate Services	recipients had been eligible for the grant and the grants were paid in line with Welsh Government (WG) guidance. In all cases sampled the recipients were eligible to receive the grant and the payment made was in line with WG guidance. Additional testing revealed that upon further information being received by the team administering the grants 17 grants were reclaimed of these 12 had been repaid in full, 4 were repaying by instalments and 1 had been referred to legal services for recovery action.	
R32	Covid 19 Grant – Childcare Provider Grant Director of Finance & Corporate Services	Good controls were in place however it was deemed by the Auditor that the grant terms had been incorrectly interpreted which led to 2 of the 3 grant recipients receiving a lower amount than they were entitled to. A recommendation was made on how best address this issue.	2
R33		Private Item	
R34	Treasury Management Transactions Head of Finance	Very good controls are in place and the only change to working practices whilst working from home period is the introduction of an electronic authorisation process.	1

Appendix 1 – Published Reports

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
R35	Covid 19 Grant- Non Domestic Rates Firebreak Grant Director of Finance & Corporate Services	Very good controls were in place. 150 grant payments (10% of the total number paid) were sampled to ensure the recipients were entitled to receive the grant and the payments were made in line with Welsh Government (WG) guidance. All cases sampled were found to be entitled to the payments they received and WG guidance had been followed.	1
R36	Covid 19 Grant – £500 payment to Care Workers Director of Finance & Corporate Services	Good processes were in place to ensure all eligible individuals were identified and had the opportunity to apply for payment, while ensuring NPTCBC did not make any duplicate payments to individuals. Good record keeping processes were also in place to enable appropriate information of payments made to be passed to Data Cymru, to identify any duplicate payments made across Wales. Evidence was sighted which shows that recovery action is being undertaken when a duplicate payment has been identified.	1
R37	Sundry Debtors Head of Finance	Good controls were found to be in place and there had been no change to working practices as a result of working from home. The recommendations made will be addressed by the introduction of the new IT system which is due to come online in the early part of the new financial year	2

Appendix 1 – Published Reports

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
R38	Payroll Head of Finance	Very good controls were found to be operating and only minor changes had been made to accommodate working from home.	1

Risk Categories

Category 1 – testing found good controls to be in place

Category 2 – testing found some controls that need enhancing which will be achieved by the implementation of the recommendations

Category 3 – testing revealed a number of areas where improvements in controls are required. A verbal update will be provided

Category 4 – testing revealed areas of concern, the Head of Service will provide a written response to the audit report for consideration by Members of Audit Committee

Category 5 – testing revealed areas of significant concern. The Head of Service and/or Service Manager will attend audit committee

Appendix 2 – Audit Plan Monitoring as at 9th April 2021

Audit Plan Item	Risk Rating	Quarter 3	Quarter 4
Creditor Payments	H	Audit in progress	Audit in progress
Procurement Card Use	H	Audit complete and report issued	
Treasury Management Transactions	M	Audit in progress	Audit complete and report issued
Council Tax	M	Audit in progress	Audit in progress
Housing Benefit	M	Will commence in quarter 4	Audit in progress
Payroll	M	Audit in progress	Audit complete and report issued
Non Domestic Rates	M		Will not be undertaken due to suspension of non-domestic rates liability due to the pandemic and the work undertaken in relation to the Covid 19 grants
Sundry Debtors	M	Audit in progress	Audit complete and report issued
DBS – New Starters	H	Audit complete and report issued	
Free School Meals Covid 19 Grant	H	Audit in progress	Audit in progress
Urgency Actions	M	Audit complete and report issued	
IT Equipment Home Working	M	Audit in progress	Audit in progress

Appendix 2 – Audit Plan Monitoring as at 9th April 2021

NFI Data Submission	M	All data sets uploaded	Matches in one report have been investigated and no fraud found, work ongoing on remaining reports
Declarations of Interest	M	Audit complete and report issued	
Travel & Subsistence	M	Audit complete and report issued	
Covid 19 Business Grants	H	Audit in progress	2 grants audited and 2 grants being worked on
Special Investigations	H	3 completed and 6 in progress	1 in progress
Advice & Guidance	N/A	Advice provided as and when required	
New HR/Payroll Systems	H	Advice being provided on an ongoing basis around the internal system controls	Advice being provided on an ongoing basis around the internal system controls
19/20 Post Audit Reviews and completion of audits	N/A	Where possible these have been completed	1 completed
Bank Administration	N/A	Ongoing	Ongoing
Servicing Audit Committee	N/A	Ongoing	Ongoing
Vision Impaired West Glam	N/A	Audit complete and report issued	
FOI requests	N/A	All requests have been answered	All request have been answered

Appendix 2 – Audit Plan Monitoring as at 9th April 2021

Staff association lottery	N/A	Ongoing	Ongoing
DBS compliance in schools	H		Audit in progress
Use of procurement cards in schools	H		Audit in progress
Procurement during initial working from home period	H		Audit in progress
Use of agency workers	M		Rolled forward to new financial year

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GOVERNANCE & AUDIT COMMITTEE

23rd April 2021

REPORT OF THE HEAD OF FINANCE – HUW JONES

MATTERS FOR DECISION

WARDS AFFECTED - ALL

INTERNAL AUDIT PLAN FOR THE PERIOD – 01.04.21-31.03.22

1. Purpose of Report

- 1.1 The purpose of this report is to provide members with details of the draft Internal Audit Plan for the period 1st April 2021 to 31st March 2022 and to seek their approval of the plan. The plan is attached as appendix 1 of this report.
- 1.2 To seek members' approval of the Internal Audit Charter as contained within appendix 2 of this report.
- 1.3 To seek members' approval to change the system used to rate completed audits.

2. Background

- 2.1 This report aims to inform members of the work which Internal Audit intend to undertake during the forthcoming financial year.
- 2.2 In line with the Public Sector Internal Audit Standards the Head of Internal Audit (Head of Finance) must produce an annual risk based internal audit plan which is consistent with the Council's objectives and linked priorities which are detailed in the Corporate Plan.
- 2.3 The Council's Objectives which are further underpinned by its improvement priorities are:

- To improve the wellbeing of children and young people. “All of our children and young people will have the best start in life, so they can be the best they can be.”
- To improve the wellbeing of all adults who live in the county borough. “Everyone participates fully in community life – socially and economically.”
- To develop the local economy and environment so that the well-being of people can be improved: “The whole of Neath Port Talbot county borough will be a vibrant, healthy and safe place to live, work and enjoy recreational time”

2.4 The attached draft Internal Audit Plan has been compiled with reference to the Corporate Plan, Corporate Risk Registers, input from Chief Officers and cumulative audit knowledge and experience. The plan also includes audits which are subject to service level agreements, and those which are carried out annually to provide assurance to the Section 151 Officer (Director of Finance & Corporate Services) around the controls operating in the major financial systems of the Authority. Additionally allowances are made for special investigations that inevitably arise throughout the year.

2.5 As members are aware the plan needs to be flexible to allow for unexpected items during the year that require audit input. In line with the terms of reference of this committee quarterly reports will be provided which will detail progress against the plan and advise members of any changes to items contained within the plan.

3. Audit Ratings

3.1 Currently when an audit is completed the Auditor assigns a risk rating to the service area. These risk ratings have been in use for a number of years and it is now proposed to change from a risk rating to an assurance rating. This change will reflect more current audit practice and ensure compliance with the Public Sector Internal Audit Standards.

3.2 The current risk ratings are:

- Risk Rating 1 – testing found good controls to be in place
- Risk Rating 2 –Testing found some controls that need enhancing which will be achieved by implementation of the recommendations.
- Risk Rating 3 - Testing revealed a number of areas where improvements in controls are required. A verbal update will be provided at the next Audit Committee.
- Risk Rating 4 - Testing revealed areas of concern, the Head of Service will provide a written response to the Audit Report for consideration by Members of the Audit Committee.
- Risk Rating 5 - Testing revealed areas of significant concern, The Head of Service and/or Service Manager will attend Audit Committee

3.3 It is proposed that from this financial year the following assurance ratings be applied to completed audits:

- Substantial Assurance – testing found good controls to be operating
- Reasonable Assurance – testing found some controls which need enhancing which will be achieved by implementing the agreed recommendations
- Limited assurance – testing revealed a number of areas where enhancement to existing controls is required. The Head of Service to provide a written response on actions taken to address the issues raised during the audit to this committee for members consideration
- No assurance – testing revealed areas of significant concern, The Head of Service and/or Accountable Manager will attend this committee to provide members with an update on actions taken to address the issues raised during the audit.

4. Recommendations

4.1 It is recommended that members approve the draft Internal Audit Plan as set out in appendix 1.

4.2 It is recommended that members approve the Internal Audit Charter as detailed in appendix 2.

4.3 That members approve the change in how audits are rated.

5. Reason for Proposed Decision

To ensure compliance with the terms of reference of the Governance and Audit Committee and the Public Sector Internal Audit Standards.

6. Financial Impact

There is no financial impact associated with this report.

7. Equality Impact Assessment

There are no equality impacts associated with this report.

8. Workforce Impacts

There are no workforce impacts associated with this report.

9. Legal Impacts

There are no legal impacts associated with this report.

10. Risk Management

The Audit Plan and the proposed audits contained therein form a fundamental part of the risk management processes used by the Council.

11. Consultation

There is no requirement under the Constitution for external consultation on this item.

12. Appendices

Appendix 1 – Draft Internal Audit Plan for the period 1 April 2021 – 31st March 2022

Appendix 2 – Internal Audit Charter

Officer contact

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Anne-Marie O'Donnell – Audit Manager

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NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

Finance & Corporate Services Directorate

Internal Audit Service

***INTERNAL AUDIT PLAN
FOR THE PERIOD
1 April 2021– 31 March 2022***

Issue Date – 23rd April 2021

CONTENTS

Heading

Introduction to Plan

Section 1

Definition of Internal Audit & Legislative requirements

Section 2

Calculation of available days

Section 3

Detailed Audit Plan in respect of 2021/22

**STRATEGIC AUDIT PLAN IN RESPECT OF THE PERIOD
1 APRIL 2021 to 31 March 2022**

1. INTRODUCTION

- 1.1 This plan outlines details of the Internal Audit Service involvement in Council services/functions for the period 1 April 2021 to 31 March 2022.
- 1.2 The plan has been prepared using the following assumptions and methodology.
- 1.3 The staffing complement for 2021/22 is 8.19 full time equivalent (FTE).
- 1.4 An allowance has been made for special investigation type work i.e. theft, general malpractice issues in relation to employees and clients of Council services.
- 1.5 The risk factors noted against each audit heading are based on a formula that calculates the scores using 12 different variables.
- 1.6 The plan details the areas that are due to be audited during 2021/22. However, the audit plan is almost invariably subject to change as issues arise during the year. This flexibility is vital to ensure that new or increased risks are assessed and reported upon in order that assurance can be provided to members.

2. INTERNAL AUDIT SERVICE PERFORMANCE MONITORING

Prior to April 2021 Internal Audit reported its performance to the Audit Committee since its inception as a standalone entity in May 2002. Performance will continue to be reported to this committee on a quarterly basis as will any changes to the plan which are required in year. All Internal Audit work will continue to comply with the Public Sector Internal Audit Standards.

3. THE YEAR AHEAD

As for every year to date, a number of challenges lie ahead and the coming year is no different:

- Continue to adapt to auditing in a different way due to the need for remote working
- Adapt to the new systems in place which have been necessary due to the impact of the pandemic
- Provide advice and assistance as the Council enters into recovery from the pandemic and services open back up
- Provide an adequate level of audit coverage in challenging times
- Provide assurance to members on the adequacy and effectiveness of the internal controls operating and on the Council's governance arrangements
- To further improve the assessment of risk in audit work
- Continuing to work closely with service managers to improve the effectiveness of audit work, particularly with regard to new and emerging risks
- Continue to revise and tailor our audit programmes to ensure that the audits we deliver add value
- Continuing to work with Audit Wales to maximise the effectiveness of audit work for the Authority.

Finally, this Internal Audit Plan is submitted to the Governance and Audit Committee for approval at its meeting scheduled for 23rd April 2021.

Huw Jones
Head of Finance/Head of Internal Audit

Anne-Marie O'Donnell
Audit Manager

SECTION 1 - Definition of Internal Audit and legislative requirements

1.1 Definition of Internal Audit

The Public Sector Internal Audit Standards (PSIAS) define Internal Audit as follows; “Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”

1.2 Requirement for Internal Audit

The Accounts and Audit (Wales) Regulations 2014 state ... (1) A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. (2) Any officer or member of that body must, if the body requires (a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of audit; and (b) supply the body with such information and explanation as that body considers necessary for that purpose.

These Accounts and Audit Regulations are supplemented by this Authority’s Financial Regulation No 3.4.5 and Financial Procedures Nos. 4.9.8 and 4.9.9 which clearly define Chief Officers’ responsibilities in respect of Internal Audit rights of access.

Section 151 of the Local Government Act 1972 requires that “every local authority shall make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs.”

The responsible financial officer in this Authority is the Director of Finance & Corporate Services, and one of the more important ways in which he exercises his statutory responsibility for financial administration is through the work of the Internal Audit Service.

It is a requirement of the Public sector Internal Audit Standards that each Internal Audit service has an Audit Charter. The standards state

“The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of ethics and Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.” The current Audit Charter is attached with this plan for members’ approval.

SECTION 2

INTERNAL AUDIT PLAN 2021/22 CALCULATION OF AVAILABLE DAYS

- 2.1 The total number of days included in the Plan is based on a total of 8.19 (FTE) staff.
- 2.2 A number of allowances have to be made to the total number of days available to allow for annual leave, public holidays, sickness, training etc. An estimate also has to be made for staff vacancies arising from the possibility of staff turnover occurring over the year.
- 2.3 These allowances result in a total number of ‘available’ days to the section of 1,568. From this is deducted a number of days to allow for the general supervision and management of the Section and other ‘non-chargeable’ items such as attendance at seminars, team meetings etc. The total number allocated to these overhead type areas is 195 days.
- 2.4 This leaves a total of 1,373 days available for planned work.
- 2.5 Internal Audit recommendations made will be followed up during formal Post Audit Reviews throughout the year, the results of which will be reported to members. The time for these reviews are built into the days assigned to the audit.

SECTION 3 – INTERNAL DRAFT AUDIT PLAN FOR 2020/21

Service Area	Days Allocated	Risk Factor
---------------------	---------------------------	------------------------

Education Leisure & Lifelong Learning**School based audits**

Primary Schools	120	M
Secondary Schools	35	H

Other education

Challenge Advisers Role & outcomes	20	H
Home to School Transport	20	H
Education other than at school	15	M
Pupil exclusions	10	M
Education Library Resource Service	10	M
Grants	20	H

Leisure

Princess Royal Theatre	10	M
Leisure Services Contract	10	M
Margam Park Development	10	H

Total number of days = 280

Service Area	Days Allocated	Risk Factor
---------------------	---------------------------	------------------------

Chief Executive's

Integrated Impact Assessments	15	M
Compliance with the Welsh Language Standards (No1) Regulations	10	M
Margam Crematorium	15	M
GDPR/Data Security	10	M

Total number of days = 50

Service Area	Days Allocated	Risk Factor
<u>Environment</u>		
Stores – stocktake assistance	2	H
Grants	15	M
Fuel Usage & Controls	15	H
Drainage/Flood risk management	15	M
Pest Control	15	M
Regeneration	10	M
Business Support Loans & Grants	15	M
Crymlyn Burrows Transfer Station	25	H
Final Accounts	5	H

Total number days = 117

Service Area	Days Allocated	Risk Factor
<u>Finance & Corporate Services</u>		
Revenue Collection		
Council Tax	3	L
NNDR	3	L
Sundry Debtors (new IT system in place)	15	H
Benefit Administration		
Housing Benefits	3	L
Exchequer		
Payroll (new IT system in place)	20	H
Creditor Payments	3	L
Creditors (FIS) checks	20	H
Accountancy		
Treasury Management	15	M
3 rd Sector Grants	10	M
Capital Programme	15	H
Asset Valuations	10	H
IT		
Cyber Security	15	H

Total number of days = 132

Service Area

<u>Social Services, Health & Housing</u>	Days Allocated	Risk Factor
<u>Social Services</u>		
Hillside Secure Unit	15	M
Grant certification	10	M
<u>Safeguarding:</u>		
Children's & Adult Services (areas to be agreed)	40	H
Monitoring of External Providers	20	M
Youth Offending Team	20	H

Total number days = 105

Service Area	Days Allocated	Risk Factor
<u>Cross Directorate</u>		
Covid Recovery	15	H
Covid hardship fund grants	25	H
Corporate Debt Recovery (Breathing Space Legislation)	15	H
Special Investigations	150	N/A
Advice & Guidance requests	90	N/A
Officer Declarations	15	M
Procurement	30	H
Fraud (to include joint working With DWP & NFI)	210	H
Money Laundering (compliance with policy)	10	H
Grants	10	H
Sickness	25	M
Use of Agency Workers	10	M

Total number of days = 605

Other Commitments

Banking Administrator	4	N/A
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Attendance at working Parties	20	N/A
Servicing Audit Committee	20	N/A
Vision Impaired West Glam	10	L
SWTRA	15	N/A
FOI Requests	5	N/A
Staff association/lottery	10	N/A

Total number of days = 84

Total number of days for 21/22 = 1373

H = High, M = Medium, L=Low

DRAFT

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

INTERNAL AUDIT CHARTER

Introduction

The purpose of this charter is to define what Internal Audit is and explain its purpose, authority and responsibility.

For the purposes of internal audit activity the following terms are defined as follows:

- “board” – the Governance & Audit Committee
- “senior management” - Chief Executive, Corporate Directors and Heads of Service

Purpose, Scope & Authority

Purpose

The Public Sector Internal Audit Standards (PSIAS), last updated and revised in April 2017, define Internal Audit as:

“... an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”

Scope

Financial Regulations 4.9.8 state that it is the responsibility of the Director of Finance & Corporate Services to ensure that internal auditors have the authority to:

- Access authority premises at reasonable time
- Access assets, records, document, correspondence and IT systems

- Receive any information and explanation considered necessary concerning any matter under consideration
- Require any employee of the Authority to account for cash, stores or any other Authority asset under their control
- Access records belonging to third parties, such as contractors, when required
- Directly access the Head of Paid Service, the Executive and Governance & Audit Committee
- To ensure effective procedures are in place to investigate promptly any fraud, irregularity or malpractice

Authority

The authority for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit (Wales) Regulations 2014 Regulation 7 , more specifically require that (1) a “relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control . (3) “A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.”

Objectives

Internal Audit’s main objectives are to:

- Provide a quality, independent and objective audit service that effectively meets the Council’s needs, adds value, improves operations and helps protect public resources
- Provide assurance to management that the Council’s operations are being conducted in accordance with external regulations, legislation, internal policies and procedures

- Provide advice and support to management to enable an effective control environment to be maintained
- Promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud
- Investigate allegations of fraud, bribery and corruption

Roles and responsibilities

Role of Internal Audit

To meet Internal Audit objectives, Internal Auditors are responsible for:

- Reviewing and assessing the soundness, adequacy and reliability of financial and non-financial management
- Reviewing and assessing the effectiveness of internal controls and making recommendations for improvement, where appropriate
- Reviewing and assessing procedures to check that the Council's assets and interests are adequately protected and risks are identified and effectively managed
- Checking for compliance with legislation, Council policies and procedures
- Promoting and assisting the Council in the effective use of resources
- Undertaking independent investigations into allegations of fraud and irregularities in accordance with Council policies and procedures and relevant legislation

Provision of the Internal Audit Function

The Internal Audit Function is provided "in house" and consists of the Audit Manager, 1 Senior Auditor, 4 Auditors, 1 Fraud Officer and 2 Assistant Auditors

(9 people 8.19 FTE). The role of Head of Internal Audit is undertaken by the Head of Finance.

In his role as Head of Finance the Head of Internal Audit also has responsibility for the Authority's accountancy teams, payroll and exchequer services, council tax, housing benefits, financial assessments and the Authority's Court Deputy team. To maintain his independence in relation to the audit of the other functions he has responsibility for he has no involvement in the scope, timing, staffing or agreement of any recommendations in relation to these audits and receives the final report in line with normal reporting arrangements.

Management Structure

Internal Audit is part of the Finance Division of the Finance & Corporate Services Directorate. However to ensure independence Internal Audit has the right of access to the Chief Executive and or the chair of the Governance & Audit Committee should a situation warrant it.

Audit Manager's Responsibilities

- In managerial terms to the Head of Finance
- To manage and lead the Internal Audit Team
- For the performance of the Internal Audit Service
- Presenting the Internal Audit Charter to the Chair of the Governance & Audit Committee for approval
- Presenting and obtaining approval of the annual audit plan from the Governance & Audit Committee
- Reporting quarterly to the Governance & Audit Committee on the work undertaken by the service
- Reporting to the Governance & Audit Committee on any serious weaknesses found in the internal control systems and any instances where recommendations have not been acted upon

Code of Ethics

The Internal Audit Service operates in accordance with the mandatory Public Sector Internal Audit Standards (PSIAS) 2013 updated in 2017 by ensuring that all internal auditors conform to the Code of Ethics principles of integrity, objectivity, confidentiality and competency.

Internal Audit Staff are required to complete a declaration of interests on an annual basis and are aware of the need to make known any changes which may affect their declaration as and when the changes occur.

Each member of the Internal Audit Section receives a copy of the Code of Ethics and signs up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as the Councils standards and policies such as the Code of Conduct. Where potential areas of conflict may arise during the year, the auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.

Service Standards

What you can expect from us

All internal audit work complies with the mandatory Public Sector Internal Audit Standards.

Internal Auditors will, at all times, exercise due professional care, act with integrity and take a professional, reliable, independent and innovative approach to their work.

It is essential that Auditors are impartial so that when an audit opinion is given it is unbiased and based on the facts available. Should a situation arise where impartiality could be questioned then another Auditor will be assigned to undertake the audit.

Where an Auditor was previously employed in a service area subject to audit then the Audit Manager will ensure that the Auditor concerned is not assigned audits in that area until at least 2 years have elapsed.

Annual Audit Plan

An annual audit plan is produced using a risk based methodology and taking into account the risks detailed on the Authority's risk registers. During the planning process all Heads of Service are contacted and asked if there are any areas they wish to be included in the plan. The plan is then approved by the Governance & Audit Committee at their first meeting of the new financial year.

The plan is flexible and includes a contingency to allow for a change in priorities, emerging risks, specific service requests and ad hoc projects. An allowance is also included every year to allow for any special investigations i.e. allegations of fraud, theft of malpractice to be investigated.

In addition to the work carried out in line with the annual audit plan the Audit Manager and Senior Auditor also act as administrators for the Authority's online banking system. This is not deemed by either the Director of Finance & corporate Services in role as Section 151 Officer, the Head of Internal Audit or the Audit Manager to impair independence or provide any conflict of interest as the duties undertaken on the system are of a "housekeeping" nature and no transactions are undertaken.

Reporting

Audit Reports

Audit reports:

- Give an opinion of the service as at the time of the audit
- Provide an assurance rating of the service audited
- Detail the work carried out and subsequent recommendations together with management responses where applicable

Reporting Standards

Upon completion of the audit a draft report is issued to the service manager for agreement of findings and recommendations made. In accordance with

professional standards a post audit review is carried out after an agreed period to ensure that agreed recommendations have been implemented.

Any agreed recommendations not implemented within a reasonable timescale will be reported to Governance & Audit Committee.

Internal Audit works to the reporting quality standards of:

- Draft report issued within 10 days of field work being completed
- Final report issued within 2 working days of draft report being agreed

Quality Assurance

Internal Review

An internal self-assessment of the effectiveness of internal audit will be undertaken by the Head of Internal Audit annually.

Audits are fully reviewed by senior internal audit staff upon completion of field work, in addition to this all draft reports are reviewed by the Audit Manager prior to issue.

The Head of Internal Audit also monitors/reviews a sample of internal audit work programmes, working papers and reports to provide reasonable assurance that the work conforms to the relevant professional standards.

External Review

External assessments of the internal audit service are conducted annually by the Council's external auditor.

It is also a requirement of the PSIAS that all internal audit services are subject to a fully independent review every 5 years by a qualified independent assessor from outside the Authority. The next review is scheduled to be undertaken late 2022/early 2023.

Relationships

Internal Auditors will treat all staff with respect, courtesy and professionalism at all times. Any confidential or sensitive issues raised with or reported to Internal Audit staff will be dealt with in an appropriate manner. Where issues are likely to cause embarrassment to or adversely affect the reputation of the Authority these will be raised with senior management promptly and dealt with as a priority.

Internal Auditors will ensure that they explain fully the purpose of the audit and the various stages the audit will follow. Internal Audit will agree with service managers the timing and scope of the audit prior to its commencement.

The normal course of communication with Councillors will be via the Governance & Audit Committee which meets 4 times per year. The Audit Manager has access to the Chair of the governance & Audit Committee outside of the normal meetings should this be required in the event of a serious issue coming to light.

Internal audit will liaise with the Authority's external auditors in order to build a co-operative and professional working relationship, eliminate duplication of effort and ensure appropriate sharing of information.

Fraud and irregularities

Internal audit is responsible for investigating and reporting on all instances of suspected fraud, malpractice and theft whether reported directly to them or via the Authority's Whistleblowing Policy.

The Authority also participates in the National Fraud Initiative data matching exercise and Internal Audit investigate a range of the matches and co-ordinates the response to those best dealt with by the service areas.

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By virtue of paragraph(s) 14 of Part 4 of Schedule 12A
of the Local Government Act 1972.

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