

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

26th June 2019

Report of the Head of Finance – Huw Jones

Matter for Information

Wards Affected:

All Wards

2018-19 Internal Audit Annual Report

Purpose of the report

To provide details of the work undertaken for the financial year 2018/19 compared to that included in the Internal Audit Plan and to highlight issues relevant to the performance of the section.

Background

One of the terms of reference of the Audit Committee is to 'monitor internal audit performance'. This report ensures compliance with this requirement by outlining Internal Audit work undertaken during the 2018/19 financial year.

Audit Performance

A comparison of the work undertaken during the financial year with the work planned is provided in Appendix 1 to this report. Members should note that 80% of the Internal Audit Plan for the year has been delivered including 100% of audits designated as 'high risk'.

In accordance with the Public Sector Internal Audit Standards (PSIAS) the Internal Audit Service was externally assessed during 2018 and

achieved the highest rating i.e. generally conforms to standards. The PSIAS require a review is undertaken every five years.

In addition to the external assessment the PSAIS require that the Head of Internal conducts an annual self-assessment of the Internal Audit Service. This self-assessment is provided in Appendix 2 to this report.

Assurance Statement

As part of the annual reporting procedures as governed by the mandatory PSIAS and the Account and Audit (Wales) Regulations 2014 the Head of Finance in his role as Head of Internal Audit, has to provide a statement of assurance on the systems of internal control operating within the Authority. This statement is based on the work carried out by the section whose independence remained unchanged during the year and whose work conforms to the mandatory PSIAS.

It is necessary to highlight to this Committee any problems in connection with non-implementation of significant recommendations contained within agreed Internal Audit reports. Non-implementation could point to continuing weak internal controls operating or non-compliance with existing satisfactory controls which then present risks to the Council. I can confirm that no issues of non-implementation have arisen during the year.

The remaining aspect that needs to be highlighted concerns, in general terms, the various Internal Control systems operating within the Authority.

This committee in line with its Terms of Reference and also to comply with the Councils Code of Corporate Governance i.e. *'to examine and keep under review the adequacy and relevance of .. internal controls and compliance'* requires a regular appraisal of the work undertaken by the Internal Audit Service.

It must be stressed that assurance on internal controls can never be absolute, the most the Internal Audit Service can provide this committee is reasonable assurance that there are no major weaknesses in the internal control systems examined during the year:

Based on the work of the Internal Audit Service during the year the conclusion is that:

Reasonable assurance can be given that there have been no major weaknesses noted in relation to the internal control systems operating within the Authority.

In addition to the assurance statement above, the work carried out by the Internal Audit Service is essential in enabling the Director of Finance and Corporate Services to review the effectiveness of the systems of internal financial control. This then supports the production of the Annual Governance Statement which is included in the Council's Statement of Accounts.

Issues Affecting Internal Audit Performance

During 2018/19 the Internal Audit Service was well staffed in relation to previous years. A new Fraud Auditor post was created with the post-holder commencing in January 2019. There is currently only one vacancy within the team, Grade 5 Audit Assistant. The proposal is to fill this post during 2019/20.

The increasing volume and complexity of Special Investigation work continues to place significant demands on the workload of the Audit Manager. Unfortunately, by its very nature, this work cannot be pre-planned and whilst an allocation is made in the Internal Audit plan there is no way of foreseeing whether this allocation will be sufficient.

Financial Impacts

No implications

Integrated Impact Assessment

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

Valleys Communities Impact

No implications

Workforce Impacts

No implications

Legal Impacts

No implications

Risk Management Impact

No implications

Consultation

There is no requirement for external consultation on this item

Recommendations

It is recommended that Audit Committee note the content of this report.

Reason for Proposed Decision

To ensure compliance with Public Sector Internal Audit Standards and the Council's code of Corporate Governance.

Appendices

Appendix 1 – Actual work undertaken compared to Internal Audit Plan

Appendix 2 – Internal Audit Service Self-Assessment

Officer Contact

For further information on this report item, please contact:

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Monitoring Date**Year End****Audit Plan Item 2018-19****Risk
Factor****Education, Leisure and Lifelong Learning****School Based Audits**

20 Primary Schools

M 19 schools audited

3 Secondary Schools

H 4 schools audited

Other Education

Parent Pay

M Audit completed

Youth Service

M Audit completed

Education Grants

M 7 grants audited

Leisure, Culture and Lifelong Learning

None

Finance and Corporate Services**Revenue Collection**

Council Tax

L CRSA* undertaken

*Control Risk
Self-Assessment

NNDR

L CRSA undertaken

Sundry Debtors

L CRSA undertaken

Cash Collection

H Unannounced visits
undertaken
throughout the year

BACS

H Advice provided
when requested**Benefits Administration**

Housing Benefits

L CRSA undertaken

Exchequer

Payroll

L CRSA undertaken

Creditor Payments

L CRSA undertaken

Appendix 1 – Audit Plan Delivery

Creditor (FIS Checks)	M	Checks undertaken regularly throughout the year
Off Payroll Payments (IR 35)	H	Advice provided when requested

Accountancy

Treasury Management	H	Work undertaken by WAO
Bank Reconciliation	M	Audit completed
VAT	M	Audit postponed

General

Travel & Subsistence	M	Audit completed
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Legal Services

Margam Crematorium	L	Audit completed
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Other

Contingency	N/A	
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Chief Executive's

Members' Declarations of Interest	M	Audit Completed
Disciplinary Processes	M	Not undertaken due to changes and new training provided to officers by ACAS

Social Services, Health and Housing

Housing General Fund:

Supporting People Grant	M	Grant audited
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Social Services

Hillside Secure Unit	M	Audit completed
Abbey View Complex Needs Day Centre	M	Audit completed

Appendix 1 – Audit Plan Delivery

Complaints	M	Audit not completed will undertake as part of Corporate Complaints Audit in 19/20
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Safeguarding - Children & Adult Services

Assistive Technology	M	Audit undertaken.
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Environment

Stores/Equipment attendance at stock takes	H	Mid-year and year end stocktakes attended Advice given throughout the year by the Audit Manager
Stores processes	H	Advice given throughout the year by the Audit Manager
On call procedures	M	Audit completed
Tregelles Court Workshop	M	Audit completed
Car Parking	M	Audit completed

Cross Directorate

Special Investigations	N/A	17 investigations were undertaken Advice and guidance was given continuously during the year
Advice & Guidance Requests	N/A	Advice was given throughout the year
Corporate Governance Arrangements	N/A	System access levels looked at during every audit undertaken
I.T. Audit	N/A	3 final accounts audited and agreed
Contract Audit	N/A	3 final accounts audited and agreed

Appendix 1 – Audit Plan Delivery

Officer Declarations	M	Audit completed
Petty Cash	M	Audit completed
Settlement Agreements	N/A	Audit not completed will be finalised in 18/19
Risk Registers	M	Advice given throughout the year
DBS Checks	H	2 Audits completed
Travel & Subsistence	H	Audit Completed

Other Commitments

Banking Administrator	N/A	Work was undertaken throughout
Attendance at working parties	N/A	A number of working parties were attended and advice given
Servicing Audit Committee	N/A	Reports presented to all committee meetings.
Vision Impaired West Glamorgan SWTRA	N/A N/A	Audit completed No work requested
FOI Requests	N/A	All received were answered
Staff association/lottery	N/A	Mid and year end audits undertaken
National Fraud Initiative	N/A	Matches reviewed
Contingency	N/A	School meal income audit completed. Settlement Agreements audit completed Procurement Cards audit completed

Annual Internal Review of Internal Audit

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) last updated and reviewed April 2017, that the Head of Internal Audit conducts an annual internal self-assessment of the effectiveness of the Internal Audit Service.

Below are details of the 2018/19 self-assessment.

Objective

Does the work of the Internal Audit Service comply with PSIAS?

Finding

As evidenced by the external assessment undertaken by Blaenau Gwent CBC in 2018 the service generally conforms to the standards. 'Generally conforms' is the highest level of compliance.

Objective

Is there an Internal Audit Charter in place which clearly outlines the purpose, authority and responsibilities of the Internal Audit Service?

Finding

An Internal Audit Charter is in place which satisfies the requirements of the standard.

Objective

Did all Internal Audit staff make the appropriate declarations required by the PSIAS?

Finding

All staff made declarations in relation to land and property within the County Borough, any personal relationships with other NPT employees or Members, any outside business interests and any gifts or hospitality offered/received/declined. In addition they signed a declaration acknowledging that they had received a copy of the PSIAS' Code of Ethics and agreed to conform to its principles.

Objective

Was a risk based Internal Audit Plan in place which had been approved by Audit Committee.

Finding

The 2018/19 Audit Plan was approved by Audit Committee on 5th April 2018.

Objective

Was the Internal Audit Plan Achieved?

Finding

80% of the planned audits were undertaken. The remainder will be undertaken during 2019/20.

Objective

Were all recommendations made via formal audit reports accepted and implemented?

Finding

100% of recommendations made were accepted.

Objective

Were investigations undertaken in respect of any suspected fraud, theft or malpractice either reported or identified by Internal Audit Staff?

Finding

A total of 17 Special Investigations were undertaken by senior Internal Audit staff.

Objective

Auditees were satisfied with the audit service provided.

Finding

58% of client satisfaction questionnaires were returned of which 96.5% indicated satisfaction with the service provided.

Conclusion of the Head of Internal Audit

I am satisfied that the Internal Audit Service conformed to the PSIAS when undertaking audits during 2018/19 and that the service provided was effective and of a high standard.