



AUDIT COMMITTEE

14th September 2020

REPORT OF THE HEAD OF FINANCE – HUW JONES

2019/20 Internal Audit Annual Report

1. Purpose of the report

The purpose of this report is to provide the Head of Internal Audit's (HIA) Annual Opinion on the systems of internal control operating within the Council during the financial year 2019/20 and to provide Audit Committee with details of the Internal Audit achievement against the 2019/20 Internal Audit planned approved by Audit Committee on 27th March 2019.

2. Background

The Public sector Internal Audit Standards require the HIA to provide an Annual Audit Report which should include;

- An opinion on the adequacy of the internal controls operating within the Council
- Present a summary of the audit work undertaken and provide a comparison of the work undertaken against the 2019/20 audit plan.
- Comment on conformance with the Public Sector Internal Audit Standards (PSIAS).

The annual opinion of the HIA contributes to the Annual Governance Statement which is reported along with the annual Statement of Accounts.

3. Assurance Statement

In line with the mandatory PSIAS 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.

Taking into account the work carried out by Internal Audit; the risk ratings applied to individual audit assignments; the acceptance and implementation of internal audit recommendations by management; the overall coverage of internal audit work and considering other sources of assurance the HIA's opinion is that **reasonable assurance** can be given that there have been no major weaknesses noted in the relation to the internal control systems, governance arrangements and risk management processes operating within the Council. No significant cross directorate control issues have been identified which would impact on the Council's overall control environment and any weaknesses identified were service specific.

It must be stressed that in providing this annual audit opinion that assurance can never be absolute, the most that internal audit can provide this committee is reasonable assurance that there are no major weaknesses in the internal control systems examined during the year.

4. Internal Audit Performance

A comparison of the undertaken during 2019/20 with work planned is provided at Appendix 1 of this report.

In line with this committee's terms of reference quarterly updates of audit performance were provided throughout the year, with the exception of the last quarter as due to the Coronavirus pandemic the committee cycle was suspended. The quarterly updates provided to audit committee provide details of audits completed within the period together with the risk rating applied and a synopsis of the main findings of the audit.

Despite the challenges faced throughout the year and the disruption caused by the pandemic 83% of planned audits were undertaken, a total of 155 recommendations were made by internal audit and accepted by management and of the client satisfactions surveys returned 100% provided a good rating.

Post Audit Reviews were undertaken consistently throughout the year to test for compliance with agreed recommendations.

In addition to the formal audits undertaken staff also provided advice and guidance to managers throughout the year and supported a number of working parties. Members of the Audit team also provided support and guidance in relation to ensuring new ways of working; which have been necessary as a result of the Coronavirus pandemic, included appropriate and proportionate controls.

Members will note that a number of audits with a risk rating of high were not completed this was due in the main to circumstances outside the control of internal audit namely the Coronavirus pandemic and subsequent lockdown, the fraud officer post remaining vacant for most of the year and the high number (12) of special investigations undertaken. These audits will be undertaken as soon as circumstances allow.

5. Conformance with the PSIAS

The PSIAS which became effective on 1st April 2013 introduced a requirement for an external quality assessment to be conducted at least every 5 years.

The external quality assessment which was concluded in March 2018 concluded that internal audit generally conforms to the standards. Internal Audit work continues to comply with the standards.

The standards mandate that each internal audit service has in place a Quality Assurance and Improvement Programme (QAIP), this document is intended to increase the quality of the internal audit work. The current QAIP is in the process of being updated to take into account changes in audit processes and will be presented to audit committee when complete and will inform future reviews of the service by the HIA.

The organisational independence of Internal Audit remains unchanged with the day to day management of the service undertaken by the Audit Manager who has unrestricted access to the Chair of Audit Committee, the Chief Executive and all Chief Officers.

Annually all staff within internal audit make a declaration of interest in relation to land or property within the 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 sign a declaration acknowledging that they had received a copy of the PSIAS' Code of Ethics and agreed to conform to its principles.

6. Workforce Impacts

There are no workforce impacts arising from this report.

7. Legal Impacts

There are no legal impacts arising from this report.

8. Risk Management Impact

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.

9. Consultation

There is no requirement for external consultation on this item.

10. Recommendations

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

11. Reason for Proposed Decision

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

12. Appendices

Appendix 1 – Actual work undertaken compared to Internal Audit Plan

For further information on this report item, please contact:

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Appendix 1 – Monitoring of Internal Audit Work compared to Audit Plan
Position as at 31st March 2020

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Progress</u>
<u>Education, Leisure and Lifelong Learning</u>		
<u>School Based Audits</u>		
20 Primary Schools	M	17 schools audited
3 Secondary Schools	H	1 school audited another audit had commenced but unable to complete due to Covid lockdown
Schools Data Protection Registration (not in original plan added following findings in other audits)	M	Audit Completed
<u>Other Education</u>		
Unofficial Funds (Primary)	H	Audit complete but unable to agree draft report due to Covid 19 lockdown
Unofficial Funds (Secondary)	H	Audit complete but unable to agree draft report due to Covid 19 lockdown
Education Grants	M	3 grants audited
<u>Leisure, Culture and Lifelong Learning</u>		

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Margam Country Park & Orangery	M	2 reports issued, Charlotte's Pantry & Gift Shop. Orangery audit started but not completed due to Covid 19 lockdown and main park audit not started due to Covid 19 lockdown. Rolled forward to 20-21
<u>Finance and Corporate Services</u>		
Revenue Collection		
Council Tax	L	CRSA* completed
Council Tax Recovery	M	Audit completed
NNDR	L	CRSA* completed
Sundry Debtors	L	CRSA* completed
Cash Collection	H	Unannounced visits undertaken throughout the year
Benefits Administration		
Housing Benefits	L	CRSA completed
Exchequer		
Payroll	L	CRSA completed
Creditor Payments	L	CRSA completed
Creditor (FIS Checks)	H	Regular monthly checks undertaken
Off Payroll Payments (IR 35)	H	Advice given to various

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		sections/managers throughout the year
Accountancy		
Treasury Management	M	Audit completed
VAT	M	Audit commenced but unable to complete due to Covid 19 lockdown
Other		
Financial Assessments	M	Audit completed
Court Deputy	M	Audit completed
Contingency	N/A	
Legal Services		
None		
<u>Chief Executive's</u>		
Members' Driver Declarations	M	Replaced by Chief Executive Directorate Travel & Subsistence Claims
Chief Executive Directorate Travel & Subsistence Claims	M	Audit completed
<u>Social Services, Health and Housing</u>		
Housing General Fund:		
None		
Social Services		

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Hillside Secure Unit	M	Audit completed but due to Covid 19 lockdown report not issued until new financial year
Grant Certification	M	3 grants audited
Safeguarding - Children & Adult Services		
Child Sexual Exploitation	H	Audit not done rolled forward to 20-21
Professional Abuse Strategy Meetings	H	Audit commenced but not completed due to Covid 19 lockdown will be completed in new year
Contingency	N/A	Attendance at Quality & Practice Strategic Group advice provided
<u>Environment</u>		
Stores/Equipment attendance at stock takes	H	Audit completed however due to Covid 19 lockdown report not issued until new financial year
Stores processes	H	Audit completed
Equipment Tracking /Write Offs	M	Audit completed
Winter Gritting Processes	M	Audit not done rolled forward to 20-21

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Town Centre Regeneration Programme	M	Replaced by Concessionary Fares Audit
Live kilometre grant	M	Audit completed
Concessionary Fares Grant	M	Audit completed
<u>Cross Directorate</u>		
Special Investigations	N/A	12 investigations were undertaken
Advice & Guidance Requests	N/A	Advice and guidance provided throughout the year
Corporate Governance Arrangements	N/A	Audit not done rolled forward to 20-21
Data Security	H	Audit not done rolled forward to 20-21
Contract Audit	M	3 final accounts processed
Officer Declarations	M	Audit completed
Risk Registers	M	Audit not done rolled forward to 20-21
DBS Checks	H	3 audits completed
Complaints Processes	M	Audit completed
Procurement	H	Audit not done rolled forward to 20-21
Money Laundering	M	Audit not done rolled forward to 20-21

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Fraud	H	Due to the postholder leaving mid-year and difficulties in filling the vacancy the level of pro active fraud work undertaken was minimal
GDPR	M	Audit not done rolled forward to 20-21
<u>Other Commitments</u>		
Banking Administrator	N/A	Work undertaken throughout the year
Attendance at working parties	N/A	Advice given to a number of working parties as required
Servicing Audit Committee	N/A	Committee reports produced and committees attended
Vision Impaired West Glamorgan	L	Audit completed
SWTRA	N/A	Audit completed on SWTA stores
FOI Requests	N/A	All requests actioned
Staff association/lottery	N/A	Year end accounts audited and Auditor's Statement provided.
National Fraud Initiative	N/A	Matches reviewed and investigated

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* CRSA = Control Risk Self Assessment		